

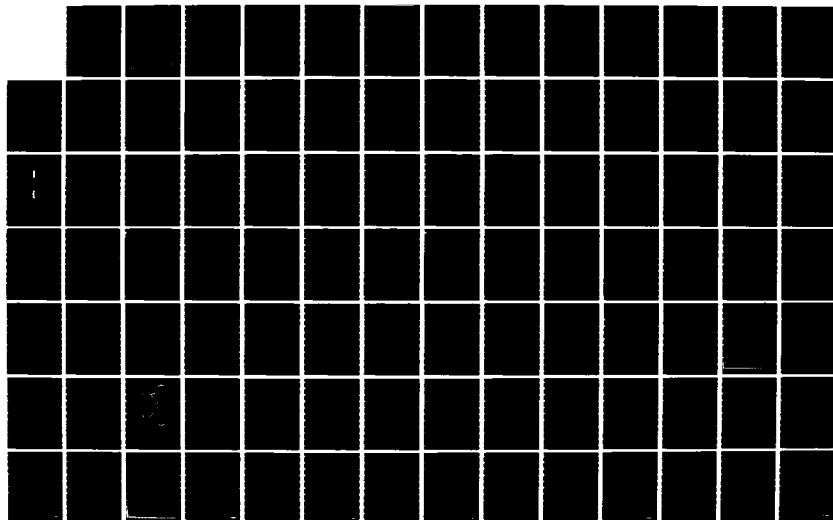
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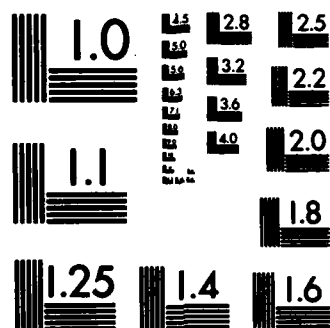
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MILITARY COMPENSATION:

PAST, PRESENT and FUTURE

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Volume 1

(Executive Summary)

Military Compensation Task Force

Directorate of Human Resources Development

Office of the Deputy Chief of Staff for Personnel

U.S. Army

1976

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PREFACE

The Army Military Compensation Task Force was established by the Chief of Staff, U.S. Army.

In accordance with its mission and operating guidance, the Task Force was to perform the following roles:

(1) Provide for Army staff participation in and support of the Quadrennial Review of Military Compensation in the normal function of a Department of the Army staff element; viz., planning, organizing, directing, coordinating, and controlling the development of potential and actual Army positions, and the supporting rationale,

(2) Function as a "think tank" group to take a fresh look at the entire spectrum of military compensation without being limited by any preconceived constraints, and

(3) Prepare a study, using a total military systems approach, that develops a military compensation system which would be in the best interests of the Nation and the Army.

Organizationally, the Task Force was established at Division level equivalent status within the Human Resources Development Directorate, Office of the Deputy Chief of Staff for Personnel.

The Task Force was constituted as an interdisciplinary project force, consisting of designated Army members, active and reserve. The Task Force members, in their background, experience, and education, represented the disciplines of operations research, systems analysis, economics, personnel management, finance, industrial management, psychology, sociology, comptrollership, computer science, law, political science, and mathematical statistics. Overall, the members of the Task Force held 21 college degrees, including eight master's degrees and three doctoral degrees.

This is an executive summary of the study, including the analysis and conclusions of the Task Force. It does not purport to represent the past, present, or future positions or policies of the Department of the Army or Department of Defense.

The study was conducted essentially as a cost-benefit analysis; i.e., it considered the Army's benefit to the Nation as well as its economic costs. Because the national defense benefit provided to the Nation by the Army is well-known and developed in other publications, it was not developed here in the interests of brevity.

The other benefits provided to the Nation by the Army--which are not generally known or developed--are addressed briefly in Chapter One. The costs of the Army, in military compensation terms, are then addressed.

The objective of the study was to determine the "ideal" military compensation system from the standpoint of the Nation and the Army that would, in turn, provide the Army with prospective positions on each item of military compensation.

The methodology of the study was to collect all relevant information--including the views of the Department of the Army Staff--conduct analyses, and derive conclusions.

It was necessary, if the objective was to be successfully accomplished, to determine the type, level, and composition of military compensation necessary to attract, motivate, and retain an adequate number and quality of military personnel to provide the Nation with a viable Armed Force. This determination was made in the study in an analytical structure, as applicable, of five parameters: effectiveness, efficiency, economy, equity, and psychosocial.

Throughout, an attempt has been made to present a study that is "correct, complete, and concise". While imperfections may remain, the Task Force has attempted to eliminate them by regular staffing with Army staff agencies over a one-year period.

Notwithstanding the attempt, above, specific corrections are requested on a continuing basis in the future to assure that this report may be made more serviceable.

While the size of this executive summary may give the appearance of "other than" a summary, it represents an analytical digest of documents filling the equivalent of over 50 linear feet of Task Force library shelf space. Moreover, it is a condensation of the items that, in the aggregate, compose over 50 percent of the entire Army budget. While it can be condensed further, it is caveated that this would constitute a trade-off of completeness.

This report is organized into two volumes. Volume One is intended to provide the Army with a source of reference to military compensation that will be valuable for a minimum of the next twenty-five years. Volume Two includes a collection of analytical models that, if regularly updated, will serve for an equivalent period.

A report of this nature cannot be the product of any one person or group. Many persons and agencies participated directly and indirectly. The Department of the Army Staff made invaluable contributions to this work. The Department of Defense QRMC Staff, and the Army, Navy, Air Force, and Marine Corps representatives on the QRMC Coordination Committee, also made important contributions. Specific mention is made of the splendid service provided by the staff of the Army Library under the leadership of Mrs. Mary L. Shaffer and the equally outstanding administrative services of Mrs. Lillian L. Armstrong and Mrs. Sylvia A. Walton. They are, of course, not accountable for the ultimate decisions of the Task Force.

The Task Force expresses its appreciation to the Chief of Staff for creating the scientific environment in which the Task Force was to operate. No constraints were imposed other than to seek the truth, and to make it available to the Army. This is our report.

And now, this portion of the duties of the Task Force is completed. It is hoped that this work may serve the Army, its people, and the Nation.

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I. INTRODUCTION

INTRODUCTION

"It is customary in democratic countries to deplore expenditures [for defense] as conflicting with the requirements of the social services. There is a tendency to forget that the most important social service that a Government can do for its people is to keep them alive and free"

- Sir John Slessor, 1954
British General

Military compensation--whether paid in cash or in kind--is the subject of this book.

Military compensation is the primary tool available to and used by military managers for the purpose of attracting, motivating, and retaining the necessary quantity and quality of personnel required for an effective Armed Force. This factor was addressed in the Preface.

Total military compensation is comprised of two major components: (1) the military pay and allowances system and (2) the military benefits system.

This is also the basic structure of this book.

An effectiveness, economy, and efficiency approach is used throughout. The other approach--the value approach--is not considered appropriate. It includes, by definition, an implicit profit element. Further, the value approach charges all costs to the military member when, in reality, some costs are either mission-related or "sunk" costs representing no additional cost to the Nation. Since the Nation is not in the business of making a profit from nor of over-costing its service members, a value approach is not used. The only appropriate approach is, as indicated above, the cost approach.

Chapter 1 considers certain benefits to the Nation from the Army that are not well known . . . the economic, technical, and social contributions. The national defense benefits are well known and discussed in other available publications. They are therefore specified, but will not be developed here.

Chapter 2 examines the relationship of military compensation, especially in the form of in-kind facilities on post, to the Army Community and to battlefield effectiveness.

Chapter 3 provides an overview of the current military compensation system -- i.e., the military pay and allowances system. The major subsystems to the pay and allowances system are: basic pay, food (subsistence), quarters, tax differential, and special pays and allowances.

Chapters 4 through 9 analyze each of the aforesaid subsystems. Additionally, the clothing subsystem, a special allowance, is considered in view of its standard classification as one of the generally-accepted necessities.

Chapter 10 identifies and describes those aspects of the current pay and allowances system which should be modernized to achieve maximum military compensation effectiveness.

Chapter 11 compares the modernized or "ideal" pay and allowances system, above, with a possible alternative military compensation system -- i.e., the military salary system. The object is to determine which system is better for the Nation.

Chapters 12 through 18, respectively, examine military absences, retirement, education, medical care, the commissary system, the exchange system, and recreation and space available travel.

Chapter 19 sets forth the unique conditions of military service, the so-called "X" factor in military compensation.

Chapter 20 displays a general model of total military compensation. Chapter 21 then compares total compensation in the military sector, the federal civil service sector, and the private sector.

This book is divided into two volumes. Volume One is the base analysis. Volume Two, the Appendices, provides supporting data.

Each chapter of the book stands alone. The reader does not have to start from the beginning but can start at any place of interest.

II. THE BASES OF MILITARY COMPENSATION

CHAPTER 1

THE ARMY'S CONTRIBUTIONS TO U. S. SOCIETY

"To a great extent the history of the Army parallels that of the Nation; it was there at the birth and has been involved since in the country's development and progress...."

- Fred C. Weyand, 1976
General
Chief of Staff
United States Army

The *raison d'être* of the Army is national defense. Its basic mission is to prepare for and, if necessary, to fight the Nation's wars. In this role, the Army has served America since 1775. This basic purpose of the Army--to protect America and its national interests--is well understood, has been addressed in numerous publications, and will not be further elaborated here.

Much less known are the secondary benefits to the Nation which are incident to the Army's primary mission. These benefits--the Army's contributions to America's human, capital, and physical development--are set forth below.

This chapter is about the Army's "firsts" in land and air pioneering; in railroad, motor vehicle, and air transportation development; in communication and computer technological advances; and in scientific improvements in food, water, shelter, clothing, and medicines.

It was the Army that literally "opened up" the western United States after the Nation acquired the vast Louisiana Purchase area from Napoleon in 1803.

In 1804, Army officers Captain Meriwether Lewis and Lieutenant William Clark were the primary explorers of the area that had more than doubled the size of the then-existing United States. The expedition covered 7,689 miles, took two years and four months, and provided vast amounts of information on the terrain, climate, animal life, and flora. This information was the basis for the subsequent settlement and development of "the land west of the Mississippi."

In 1805 and 1806, Army Lieutenant Zebulon M. Pike led the expedition that explored the southwestern United States and discovered the Rocky Mountain peak in Colorado which today bears his name.

Following behind, other Army officers, Lieutenants John C. Frémont popularly known as the "Pathfinder," and George M. Wheeler and their troops, explored the territories from the Mississippi to the Pacific, and drew the maps that enabled the "gold rushers" and settlers to successfully find their way westward during the 1840's and 50's.

There were other Army explorers such as Army Captain Howard Stansbury who discovered the routes and passes through the Rockies later used by the Overland Stage Coach, the Pony Express, and the Union Pacific Railroad....and Kit Carson who gained his legendary fame as an Army Scout.

Following on, the Army surveyed the land and supervised the construction of the first railroad in America--the Baltimore and Ohio (B. & O.) Railroad. In fact, there is scarcely a railroad in the country that was not originally projected, surveyed, built, and managed by Army Engineer officers.¹

Moreover, it may be said without fear of contradiction, that there is scarcely a city of importance from the Allegheny Mountains in the East to the Pacific Ocean in the West which was not originally based as an Army camp.

One of the more recent civil works projects representing Army know-how was the construction of the 1,500-mile Alcan Highway, accomplished by Army engineers. Built to meet military needs during World War II, the road connected mainland United States with Alaska. Amazingly, the project was completed in only 8 months.²

Other advances made in our Nation's commercial development are also, in great part, the result of Army research and innovation. The design and building of military vehicles, engines, and research and development on fuels have all been part of the Army's contribution to "vehicle science."

Even before the "American system" of manufacturing was perfected, it was the Army's decision to specify interchangeable parts for military muskets that marked the beginning of American mass production techniques. These techniques, as is well known, were the basis for the colossal increase in United States production, employment, income, and national well-being. Eli Whitney, a familiar American name, received the original Army contract.³

The Army-developed jeep evolved into a most versatile and popular civilian vehicle. Farmers, ranchers, and outdoorsmen have found this handy little machine the heartiest of the hearty in all kinds of terrain and climate conditions. Even today it is regularly found at neighborhood gas stations, ready to provide emergency service.⁴

The Army is largely responsible for the degree of success of national flood control. It built more than 300 permanent dams and reservoirs and over 9000 miles of levees and floodwalls in an effort to control rampaging waters. These dams and reservoirs additionally provide hydro-electric power, drinking water, and recreational areas for millions of Americans.⁵

Unknown to many, the phenomenal development of commercial aviation had its origins in the Army.

It was the Army that bought, flew, and used the Wright brothers' first airplane. And until the creation of the U.S. Air Force in 1947, the Army was the Nation's major military air arm.⁶

Today, the Army is still in aviation; its active air arm comprising over 5000 aircraft. The Army has continued its contributions to aviation in the following ways.

The Army-developed helicopter today serves civilian as well as military requirements. As a civilian air ambulance, it has made countless rescues from expressway accidents. As an air transport, it has flown medical teams to major disaster sites. Government agencies employ it for traffic control, fire patrols, pollution surveillance, and law enforcement. Civilian companies employ it in relatively inaccessible areas. The lumber industry uses it for timber surveys and the construction industry uses it as an air crane especially in building over-water bridges and skyscrapers.

The Army also pioneered and developed most ground control air traffic safety devices as well as aircraft crew and passenger escape systems.⁷

Space, as well as land and air, became a new domain of the Army.

After originally being denied the opportunity--and after all others had tried and failed--it was the Army, not another, which orbited on 31 January 1958 the first free-world satellite Explorer I.

Portending a further "opening up of space" probably greater than the Army's opening up of the West, it was the Army that provided the first proof of the large bands of radiation in space, the Van Allen belts, through the Army-pioneered space satellite system.⁸

The first communication satellite in space was a product of Army research and development. The initial satellite, SCORE, demonstrated the feasibility of communications between the earth and an orbiting vehicle. Remember President Eisenhower's December 1958 goodwill message to the world? Then came COURIER, the first high-capacity communications satellite--another Army development.

The Army also launched the free world's first successful lunar probe, Pioneer IV. Radio signals from the moon probe reached earth from 400,000 miles away proving the feasibility of radio communication with vehicles traveling through space.

Today, U. S. Army developed satellites and their ground stations provide messages and photographic communications world-wide.⁹

In the area of electronics, the Army was the first user and developer of the electronic digital computer. That computer was the ENIAC, the forerunner of today's super computers.¹⁰

Today's non-expensive, high-quality home radio and television sets, tape recorders, and stereo systems are largely an outgrowth of the U. S. Army's research and development of printed circuits. "Walkie-talkie" radios, developed by the Army, are the forerunners of the small radios carried today by police and firemen throughout the world.¹²

Beginning with the launching of the first radio-equipped weather balloon in 1928, the Army developed most of the weather observation equipment and techniques now used by the United States Weather Bureau. Weather prediction radar, now in use throughout the world, was developed in U.S. Army laboratories. Weather-producing conditions as far away as 200 miles, say, for hurricanes or tornadoes, can now for the first time be pinpointed.¹³

The Army's night vision inventions have been widely adopted by government agencies in fighting night crime and fires and in nighttime rescue operations on land at sea. Moreover, scientists and naturalists using these devices are studying the habits of nocturnal creatures that may lead eventually to discoveries benefiting all mankind.¹⁴

The Army's responsibilities for the development of food, clothing and housing to meet the special conditions of its personnel have had a far-reaching impact upon our eating habits, the clothes we wear, and the shelter we use.

The Army was the initial developer of what is now called the convenience foods. This was to be followed by the Army's development of the first prefabricated foods, freeze dried foods, canned bakery mixes, instantized beverages and pre-cooked frozen dinners. American industry has incorporated these items into the American way of life under the names "TV" dinners, in-flight meals, instant coffee, and like items found in ever-increasing quantities on the Nation's supermarket shelves.¹⁵

Water? No, the Army takes no credit for God's product, only for it's de-pollution. The Army is the developer of the chemicals that turn "bad water" back into good water. The Army's water purification science is put to use regularly in the civilian community -- albeit unheralded and generally unheard -- in natural disasters, such as during the massive floods that hit the north-eastern United States in 1972. Also, where portable water reservoirs are needed, the developer -- yes, the Army -- is again quick to render support.¹⁶

The Army has also made major contributions in the area of shelter development. The building industry and campers everywhere regularly benefit from the Army's co-development of structural metals, concrete and preservation methods for wood and other building materials.¹⁷

The Army's continuous study of the relationship between people, clothing and climatic extremes have led to significant developments in the clothing field.

For extreme cold, the Army was the original developer of the now common layered clothing. Because this clothing contained wool, a fabric item that was subject to shrinking upon washing, Army research efforts produced processes for control of shrinkage of wool fabrics. In the US textile industry, wool items are now treated by these processes. For extreme heat, the Army has developed clothing that "breathes" by allowing maximum available air circulation.

Military clothing research has also led to development of continuous dyeing. Modern dyeing facilities of large textile factories throughout the world trace their basic technology to the U. S. Army's technological breakthrough in dyes.

Army researchers have also discovered water repellency techniques and have improved laundering characteristics and dry cleanability of water repellent fabrics. Commercial rainwear represents an application of the Army's scientific efforts.

Army research led to the development of armored vests now in use for police and firemen protection in such cities as Los Angeles, San Francisco, Chicago and New Orleans. In addition to commercial body armor, Army-developed protective pads and blankets for bomb disposal squads have saved the lives of numbers of people in this dangerous profession.¹⁸

The Army was also a pioneer in the educational process. For more than a generation after the founding of the U. S. Military Academy in 1802, West Point was the only source of our Nation's trained engineers. Most of the first frontier schools were on Army posts. Soldiers were the first teachers for children from the surrounding communities.

Today, American education is greatly influenced by audio-visual materials and techniques developed by the Army. Audio-visual instruction has not only proved to be a highly effective teaching method in the academic classroom, but has been highly useful to industry as well.¹⁹

Army contributions to the field of medicine and the alleviation of human suffering have been monumental.

In 1899, Army Lieutenant (Dr.) Baily K. Ashford discovered that hookworm caused anemia, then prevalent in the southern United States as well as in the Caribbean.

One of the best known of the Army's medical contributions was the conquest of yellow fever by Major (Dr.) Walter Reed and his colleagues through their determination that the mosquito was the carrier of this devastating disease. Major Reed's discovery enabled Major (Dr.) William C. Gorgas to eliminate yellow fever in Panama, a precondition to the construction of the Panama Canal. The Army next launched an attack against typhoid fever. The vaccine developed by the Army at its Medical School eradicated the dread disease.

During World War II, a young Army doctor named Jonas Salk developed influenza vaccines that, for the first time, brought this dread killer under control. The Army, in the same period, developed the X-ray as a diagnostic tool.

The Army also made substantial contributions in dentistry. Most of what is known today about prevention of tooth decay and infection was pioneered in 1922 by Army Captain (Dr.) Fernando E. Rodriguez.²⁰

Some notable Army medical firsts include:

- First American textbook on drugs, chemicals, and medicinal preparations
- First American textbook on psychiatry
- First American textbook on surgery
- First Public Health School in U. S.
- First Public Health statistics
- First subject index to world medical literature

Contributions in preventative medicine that the Army has pioneered or co-developed include:

- Anthrax vaccine
- Anti-bacterial burn creams
- Anti-venom serum
- Rabies vaccine
- Small-pox vaccine
- Venereal disease control

Contributions in remedial medicine that were Army-initiated or co-developed include:

- Artificial eyes and limbs
- Atropine
- Blood preservation
- Cancer treatment
- Fracture care and plastic surgery
- Glaucoma treatment
- Gastroenterology
- Heart pacemaker and defibrillator
- Heart pump
- Mouth-to-mouth resuscitation
- Tranquilizers
- Traumatic surgery techniques
- Tuberculosis treatment

The theme of this chapter has not been the Army's military accomplishments. Rather, the chapter has highlighted some of the Army's many other significant contributions to our Nation.

These other contributions have reflected the needs of United States society and portend even more impressive contributions to the Nation by the Army of the future.

CHAPTER 2

THE ARMY AND THE ARMY COMMUNITY

"All the labor of man is for his mouth, and yet the appetite is not filled."

- Ecclesiastes 6:7

1. Introduction.

The Army Community is the mix of Army people, Army things, and the Army environment.

It is "a military family" that embraces not only its members, but also their families.

It has all the strengths and weaknesses of the physical, mental, and/or emotional characteristics of its people and corporal things.

It is an unique institution in the same sense as the home, the school, the church, and the Government.

The Army, the core part of the Army Community, has a unique commitment to protect and defend the Nation against all enemies, domestic or foreign.

The Nation, in turn, is committed to provide for the sustainment, equipping, and training of the Army and the sustainment, on a contractual third party beneficiary basis, of Army families.

The Army Community is on-post based. The Army per se is on-post and battlefield based.

There are three phases in the making of a successful Army: (1) the individual phase, (2) the individual to group synergism phase, and (3) the group phase. Phases one and two are on-post based. Phase three is on the battlefield.

Military compensation--cash and in kind--plays a key role in the process of the making of a successful Army and Army Community. Its part will be developed in the following pages.

2. Phase I: The Individual Phase.

The primary purpose of this phase to assure that the soldier is sustained and equipped for training.

The entering on the Army post constitutes the beginning of a process that will physically, mentally, and emotionally transform the soldier from an individual to group oriented battle soldier.

Figure 2-1 depicts the process.

The new soldier is gladly received into the Army family and is immediately introduced to "the Army takes care of its own".

His physical and mental requirements are met by providing or making provision for pay, shelter, food, clothing, medical care, transportation, education, and related needs. He is informed of the on-post facilities where he can get a snack, fill his gas tank, watch a movie, attend church service, work out in the gym, and/or fulfill other needs.

His emotional needs are also addressed. He is received into the unit by his fellow soldiers, he is introduced, told of previously planned activities, briefed on the unit mission, told of the unit's traditions: its history of past achievements, its present missions, and its prospects of future missions.

The soldier in Phase 1, while he has been physically absorbed into the Army Community, may not immediately acquire the mental and emotional attributes of the Army Community. These are emphasized in Phase 2. Phase 1 and Phase 2 are, of course, conceptual and not actual time periods.

3. Phase II. Individual to Group Synergizing Phase.

The primary purpose of this phase is to assure that the soldier is sustained and trained physically, mentally, and emotionally to succeed and, if possible, survive on the battlefield.

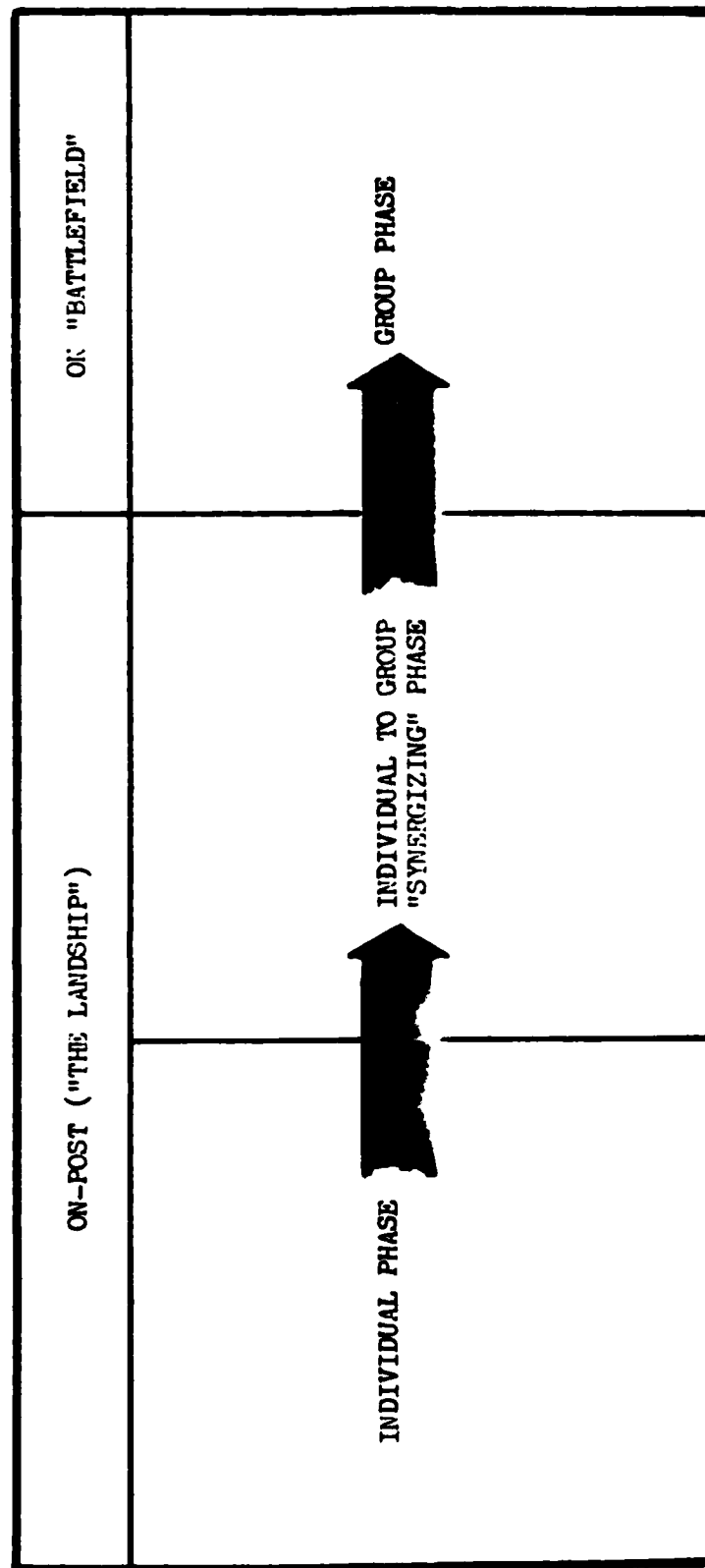
Kipling describes it:

*"Body and Spirit I surrendered whole...
To harsh Instructors
And received a Soul"*

- Rudyard Kipling
"The Wonder"

The great captains--Frederick the Great, Napoleon, Patton, and others--recognized that, ceteris paribus, the emotions--the Soul of an Army--will decide the battle.

Figure 2-1
THE ARMY AND THE ARMY COMMUNITY



SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D. C.

"Do you suppose", asked Napoleon, "you can persuade men to fight by a process of [rational] analysis? Never". Rationality, to the degree it prevails, generally suggests "don't fight". Something more is required to motivate the ground soldier to advance "into the cannon's mouth". For he knows that he absorbs over 90 percent of all the services' dead and wounded.

The vital element--Napoleon and Patton say by "3 to 1" or more--is "elan" (Patton), "the moral force" (Napoleon, Clausewitz), "soul" (Kipling), or other equivalent names for the all-important emotional factor.

Emotional states, however, are not so easily developed as are physical and mental states. Emotions are delicate, ephemeral things.

The Army, however, knows and understands the education and training required to achieve the desired emotional state. It is the result of a unique fusion of individual soldiers' spirits into an Army Soul (hereafter, the word "spirit" will be associated with the individual and "soul" with the Army). They know it requires, as a necessary precondition, "the three Cs"--collection, contact, communication.

- Collection requires the bringing together of the Army's soldiers into the same time and space environment, or the Army post.

- Contact requires that the soldiers be placed in physical and mental proximity to each other in their time and space environment.

- In the work environment, this means the rifle range, the artillery range, the tank range, and other post ranges and training areas.

- In the after-work environment, this means the post commissary, the post exchange, the post recreational areas, and, if ill or injured, the post hospital.

- Communication, given the soldiers' collection and contact, requires that there be interpersonal communication by, between, and among soldiers.

This agglutination of the physical and mental properties of the relevant group of soldiers is, in turn, the necessary precondition to the planting, nurturing, and growth of an Army Soul.

"The seed" of an Army Soul?

Military fellowship . . . a soldierly-type of affection of "all for one and one for all" that, in a fully developed Army Soul, results in the resolute willingness of the soldier, if necessary, to lay down his life for his military friends.

It is military fellowship which is the principal basis for the elan, the moral force, the soul. This, in turn, is the basis for a victorious Army. And, without it, an Army defeated on the battlefield.

There is at best, unlike the sea and air forces, a limited opportunity for military fellowship on the ground forces' battlefield. Today's highly technological war mandates maximum possible dispersion of ground troops. Dispersion, of course, is directly juxtaposed to "the 3 Cs", above.

The "silence discipline" of the ground forces' battlefield -- especially required in warfare in mountains, jungles, forests, and on unharvested fields, and, at night, even on plains--is another characteristic of the ground forces' battlefield that is also juxtaposed against "the 3 Cs".

Because the "training battlefield" on post simulates actual battlefield conditions as closely as possible, there is little opportunity for military fellowship even here.

If military fellowship, the sine qua non of the Army Soul--the decider of battles--is to exist at all, it must be on post after work is completed in the training fields.

There are presently on-post opportunities for military fellowship. "Barracks, bunks, and B.S." sessions, conversations over dinner at the "mess hall", touch football on the playing fields, joint shopping with military buddies for beer, snacks, or groceries at the post commissary, or for shaving and toiletry articles at the post exchange, visits to see ill or injured buddies at the hospital, and even those in the post stockade in the hope that they will "get the message, shape up, and return to the unit."

These in-kind facilities, above, are "the tangible stuff" of military compensation. They demonstrate the "connect up" between military compensation and success on the battlefield. They give "the key" to the method by which military compensation drives the Army and, as part of the Nation's commitment to the Army's soldiers, the Army Community.

This is the Army way of life.

4. Phase III. The Group Phase.

The primary purpose of this phase is, first, an Army victorious on the battlefield and, second, survival of as many military members as possible.

The results, above, are determined largely by the presence or absence of the Army Soul.

If adequate military fellowship is supported by the Nation, victory will come. If not, the Nation must expect the inevitable.

5. Conclusions.

Military compensation, especially in the form of in-kind facilities on post--the post quarters, post commissary, post exchange, the recreational fields and facilities, the post hospital--is highly mission-related and a primary supporter of the continuation of the U.S. Army's success on the battlefield.

To the degree that this relationship between military compensation and battlefield effectiveness, efficiency, and economy is understood, the Nation's security will be assured ... for, in that degree, the Army will be ready . . . and able to defend the Nation against all potential and actual enemies.

III. THE MILITARY PAY AND ALLOWANCES SYSTEM

CHAPTER 3

THE PAY AND ALLOWANCES SYSTEM

"...that [ruler] who can best find money to feed, clothe, and pay his Army...is surest to success."

- Charles D'Avenant, 1695
Member of Parliament
'...on Ways and Means of Supplying War'

1. Introduction.

Total military compensation is based on two complementary systems--viz., the military pay and allowances system and the military benefits system. These two systems fulfill a broader function than their civilian analogs--the wage or salary system and the fringe benefits system, respectively. Military pay and allowances, and military benefits, are provided not only as economic recompense in exchange for services rendered, but also because (1) they support certain military mission requirements and (2) they are factors in building the sense of two-way commitment between the member and his Service which is essential for an effective Army.

This chapter presents an overview of the pay and allowances system. Chapters 4 through 18 below present a detailed description and a discussion of the unique role of individual pays, allowances, and military benefits.

2. History of The Pay and Allowances System.

In 1775, the system of pay and allowances was instituted by resolutions of the Continental Congress.

In 1790, Congress provided funds for "pay of the troops; additional pay for adjutants, quartermasters, and paymasters; rations for officers, noncommissioned officers, and privates; money in lieu of forage; and clothing for noncommissioned officers and privates." 1 Stat. 119.

In 1870, the pay and allowances system was changed to a salary system for officers only. 16 Stat. 315;321. Enlisted personnel continued on the pay and allowances system. In the ensuing years between 1870 and 1922, the salary system proved

unworkable and the absolute bar against allowances of "every name and nature" eased into a de facto system of pay and allowances.

In 1922, officers were returned to the pay and allowances system de jure as well as de facto. 42 Stat. 625.

In 1967, four elements of the pay and allowances system were denominated as Regular Military Compensation (RMC); i.e., the total of basic pay, food (subsistence), quarters, and tax advantage. 37 U.S.C. 101 (25). This law further provided that whenever the civil service General Schedule (GS) salaries were raised, Regular Military Compensation would be raised by the same percentage. The increased amount was placed entirely in basic pay. 81 Stat. 649.

In 1974, the placing of military pay raises entirely in basic pay was discontinued. The raise was subsequently to be distributed to the three cash elements of RMC: basic pay, basic allowance for quarters, and basic allowance for subsistence. Each of these elements was to be increased by the same percentage as GS salaries. 88 Stat. 1152.

3. Discussion.

The pay and allowances system is a coordinated and inter-related mosaic of basic and special pays and cash and in-kind allowances. A pictorial summary of the system is at Figure 3-1, below. The elements of the system are as follows:

a. Basic Pay. All military members are provided basic pay for military services rendered. Basic pay varies by grade and years of service. See Chapter 4.

b. Food (Subsistence). All active duty members are provided food in kind or a cash allowance in lieu thereof. Officers receive a fixed monthly cash allowance. Enlisted personnel are provided food in kind, except under certain circumstances when they are authorized a daily cash food allowance. See Chapter 5.

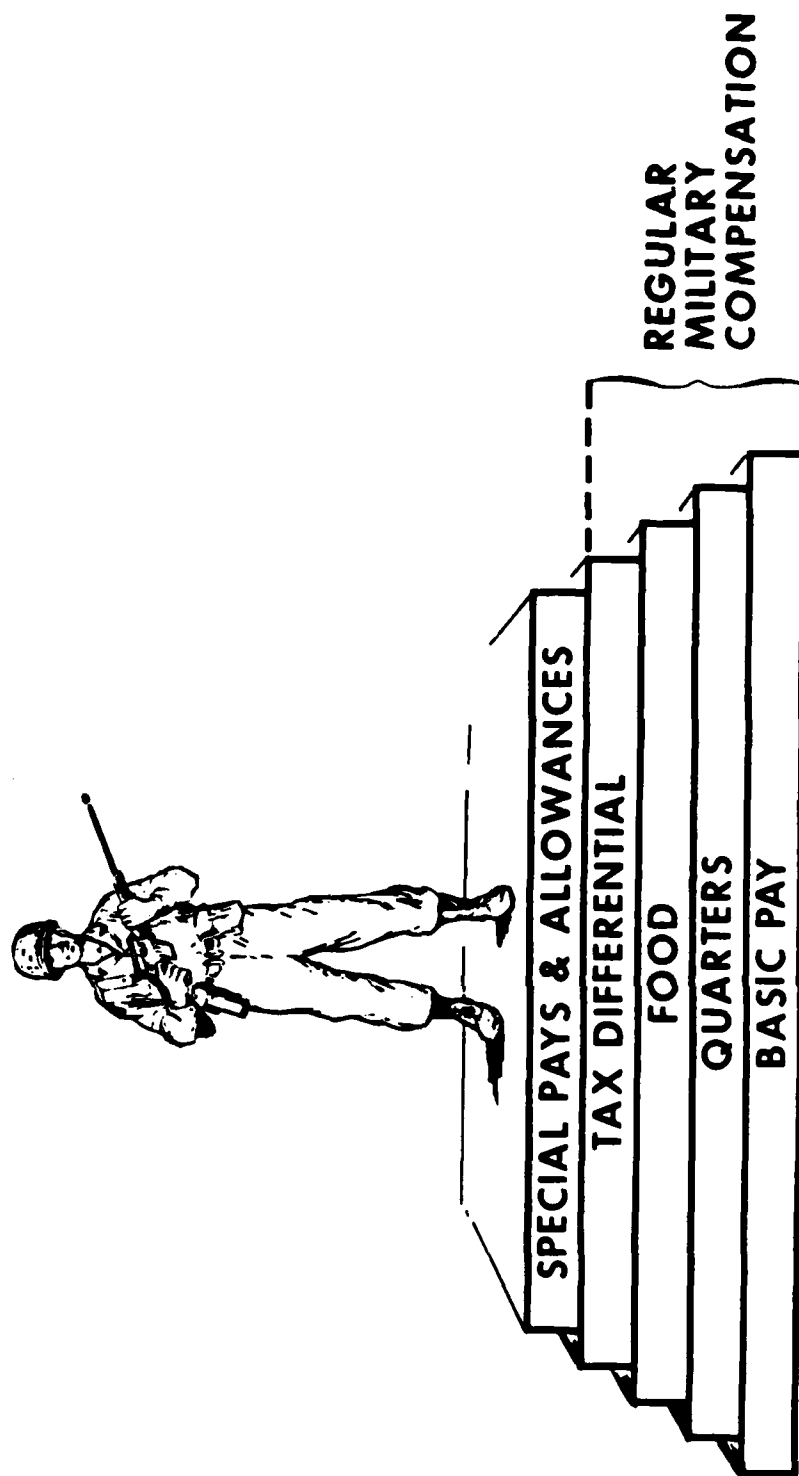
c. Quarters. All active duty members are provided quarters in kind or a cash allowance in lieu thereof.

In-kind quarters entitlements vary by the member's grade category--that is, junior enlisted, senior enlisted, etc.--and within each grade category by the number and type of dependents.

In-cash quarters allowances entitlements vary by the member's grade, and within each grade by dependency status: with or without dependents. See Chapter 6.

THE PAY AND ALLOWANCES SYSTEM

FIGURE 3-1



SOURCE: U.S. ARMY MILITARY COMPENSATION TASK FORCE,
THE PENTAGON, WASHINGTON, D.C.

d. Tax Differential. A tax differential accrues from the fact that military quarters and food are not subject to federal income tax. The amount of this tax differential is an explicit element of Regular Military Compensation, and therefore fully considered in establishing the level of military pay. See Chapter 8.

e. Special Pays and Allowances. Special pays are pays "additional to" basic pay, provided as incentives to attract, motivate, and retain specific military members in specific positions at specific times and places. Special allowances (i.e., other than food and quarters) are reimbursements for mission-related expenses incurred under specific conditions of military service. See Chapter 9.

4. Regular Military Compensation(RMC).

RMC is the total of the four elements of the pay and allowances system described in paragraphs 3a-d above. It is defined specifically as follows:

"Regular Military Compensation(RMC) means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax". 37 U.S.C. 101(25).

The four elements of RMC are equatable to civilian wages/salary for purposes of making compensation comparisons between the military and civil service and/or private sectors.*

* The House Armed Services Committee has taken the position that RMC is the military pay level which bears a reasonable relationship to civilian wages for equivalent levels of work. (House Report No. 94-5, Pay and Allowances of the Uniformed Services Pursuant to Title 37, United States Code, 1975, p 79). On the other hand, the Senate has accepted RMC only for the more limited purpose of defining the portion of military compensation which is equatable to salary for the purpose of computing comparability pay adjustments. (Senate Report No. 92-93, Amending the Selective Service Act of 1967, May 5, 1971, p 30).

5. Conclusions.

The pay and allowances system, described in this chapter, has served the Nation well since the inception of the United States Army in 1775. For a more detailed description of the individual elements of the pay and allowances system, and the unique role of each, see Chapters 4 through 9, below. Chapter 10 shows how to modernize the pay and allowances system in order that it retain maximum effectiveness as the method of compensation for today's Army. Chapter 11 compares and contrasts the military pay and allowances system with the military salary system.

CHAPTER 4

BASIC PAY

" . . . pay, pay, pay. . . "

- Rudyard Kipling

1. Introduction.

Basic pay--the principal means of compensating military personnel--is a cornerstone of the Pay and Allowances System. It functions as pay for services rendered and is received by every active-duty military member in good standing.*

The rate of basic pay is determined by the military member's grade and length of service. It is fully subject to federal, state, and local income taxes and to the Federal Insurance Contributions Act (Social Security) deductions.

2. History of Basic Pay.

The concept of paying all military personnel a principal sum for their services (basic pay) and supplementing it with additional pays and allowances based on conditions of services or for other needs or services, has been in existence since the foundation of the United States.

The term "basic pay" was first instituted in 1949. 63 Stat. 802. Prior to 1949, the expressions "base pay," "pay of the troops," and simply "pay" were used to denote this compensation element.

3. Discussion.

Basic pay is the largest component of Regular Military Compensation (RMC),** which is the military equivalent of a civilian salary. It is the only element of RMC which is always paid in cash. As the highly-visible cash component, basic pay

* Military members are not entitled to basic pay for periods of unauthorized absence, excess leave, and confinement after an enlistment has expired.

**The others are the food (subsistence), quarters, and tax differential elements. See Chapter 3, above.

plays a key role in the attraction, motivation, and retention of military personnel.

A number of other elements of military compensation are related to basic pay, as a multiple or fraction thereof, whose amounts change automatically in response to changes in the level of basic pay. They are:

- a. National Guard and Reserve Compensation: drill pay.
- b. Military Estate Program: military retired pay and death gratuity.
- c. Separation Pays: readjustment pay, severance pay, disability severance pay, and accrued leave upon separation.
- d. Other Special Pays: continuation pay for medical and dental officers, continuation pay for certain nuclear qualified officer and enlisted personnel, and reenlistment bonus.

4. Conclusion.

The above discussion briefly describes the nature and scope of basic pay. For further information, see 37 U.S.C. 201 et seq.

CHAPTER 5

FOOD*

"The first thing to think about. . . will be the question of subsistence; without supplies no Army is brave Hunger exhausts men"

- Frederick the Great, 1747

1. Introduction.

Food -- the energy fuel for the human weapons system -- is provided in two ways in the U.S. Army: (1) food in kind prepared in military dining facilities and (2) a cash allowance provided in lieu of food in kind for purchase of food on an individual basis.

Figure 5-1, below, depicts the military food system.

2. Brief History of the Military's Provision for Food.

In 1775, officers were provided a cash food allowance based upon grade while enlisted personnel were provided unprepared food-in-kind rations.

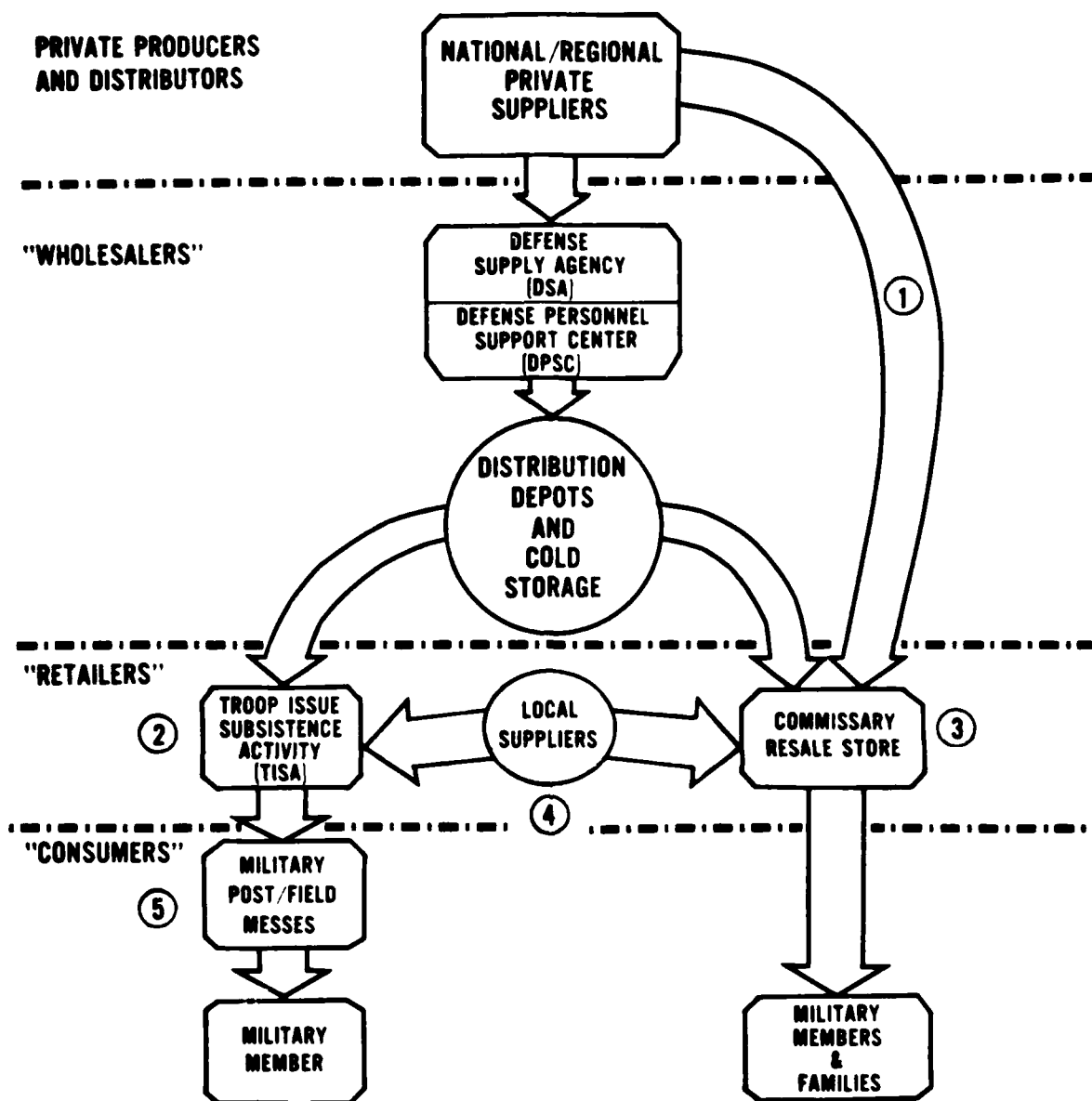
In 1870, a salary system for officers was created that abolished the separate cash food allowances. Enlisted personnel remained on unprepared food-in-kind rations.

In 1922, a pay and allowances system was established. Officer cash food allowance rates were re-established, but based upon grade, number and ages of dependents, and cost of food. For enlisted personnel not furnished food-in-kind rations, a cash food allowance was provided.

In 1949, a fixed cash allowance of an arbitrary amount--i.e., without regard to grade or number or ages of dependents--was established for officers. Concomitantly, provisions for a cash food allowance for enlisted personnel were made when Government

* Both the cash allowance for food (called basic allowance for subsistence or BAS) and food in kind (called subsistence in kind) are defined by law as elements of Regular Military Compensation (RMC).

FIGURE 5-1
THE MILITARY FOOD SYSTEM
(CONUS & OVERSEAS)



- ①. DIRECT DELIVERY IN CONUS AND OVERSEAS.
- ②. RESPONSIBILITY OF DIRECTOR OF INDUSTRIAL OPERATIONS (DIO) AT POST, CAMP, OR STATION.
- ③. RESPONSIBILITY OF TROOP SUPPORT AGENCY STORE MANAGER.
- ④. LOCAL SUPPLIES PROCURED BY INSTALLATION PURCHASING AND CONTRACTING OFFICER.
- ⑤. DINING FACILITY.

SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE,
 THE PENTAGON, WASHINGTON, D. C.

dining facilities were not available, when permission to eat separately was granted, or when assigned to duty under extraordinary conditions.

In 1953, the enlisted cash-food-allowance rate was fixed to equate with the Government raw-food costs, but the basis for the officer rate remained unchanged.

In 1974, the enlisted food allowance rate was changed from its raw-food-cost base to an annual adjustment linked to adjustments in federal civil service employees' salary levels. The officer food allowance rate was likewise linked.

3. Description of The Military Food Provision.

a. General.

It is historically recognized and generally accepted that providing food, either in kind or a cash allowance in lieu thereof, is part of the essential total compensation necessary to attract, motivate, and retain military personnel.

b. Present System.

Figure 5-2, below, depicts the "informal" military food system at the military consumer level.

The cash food allowance is the only option open to officers. Enlisted members are entitled to food in kind, or, under the following specified conditions, to the cash food allowance.¹

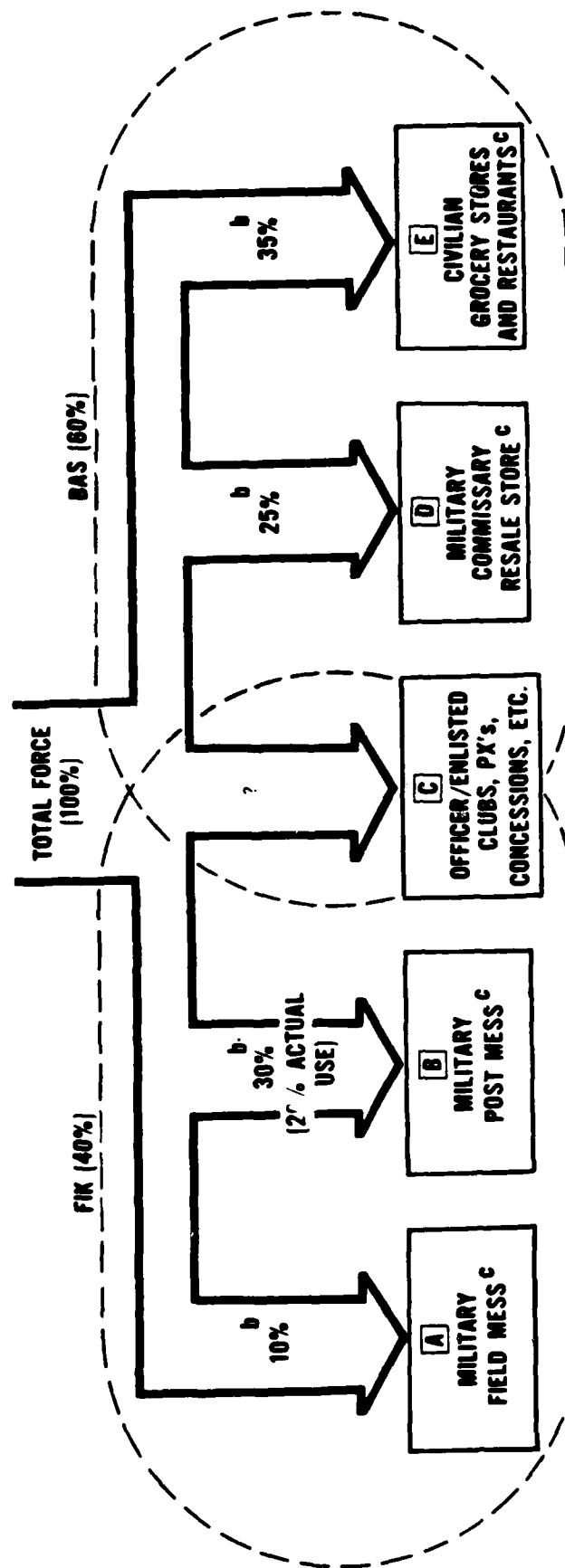
(1) Food in Kind Available, but Special Conditions Appertain. A cash food allowance, or the commuted rate* as it is referred to, is authorized if the individual military member is on leave, confined in a hospital, or at the discretion of the individual's commander.

(2) Food in Kind Not Available. A cash food allowance is authorized if a Government dining facility is not available or when it is impracticable for the Government to provide food in kind. For example, a military member on recruiting duty in a city remote from a military post would be eligible for a cash food allowance.

(3) Emergency. A cash food allowance is authorized if

* "Commuted" cash food allowance is a military term used to identify average Government food costs of providing food in kind to military personnel actually authorized to eat in Government dining facilities.

FIGURE 5-2
THE "INFORMAL" MILITARY FOOD SYSTEM: CONSUMER LEVEL ^a
(INCLUDING ALTERNATIVE CIVILIAN SOURCES)



^a / UNDER PEACETIME CONDITIONS, FOOD IN KIND (FIK) IS PROVIDED TO MILITARY PERSONNEL THROUGH **A** AND **B** AND MILITARY PERSONNEL ON BASIC CASH FOOD ALLOWANCE (BAS) ARE TYPICALLY PROVIDED FOOD THROUGH **C**, **D**, AND **E**. HOWEVER, NONE OF **A**, **E** ARE MUTUALLY EXCLUSIVE AND MILITARY PERSONNEL WITH THEIR OWN FUNDS CAN OBTAIN FOOD FROM ANY ONE, SOME, OR ALL OF **A**, **B**, **C**, **D**, AND **E**. DURING WARTIME, THERE WOULD BE AN APPROPRIATE SHIFT OF EMPHASIS TO FIK WITH A CORRESPONDING REDUCTION IN BAS.

^b / PERCENTAGE FIGURES ARE APPROXIMATES.

^c / APPLICABLE TO BOTH CONUS AND OVERSEAS.

SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE, THE PENTAGON, WASHINGTON, D. C.

conditions of duty are determined by the Service Secretary to require more than ordinary expenses. For example, a military member who must use private food sources where costs are exceptionally high may be eligible for a cash food allowance.

The eligibility of military members for food in kind and cash food allowances can be summarized as follows.*

Provision Person	Food In Kind (FIK)	Cash Food Allowance (BAS)
Officers	Not Applicable	At All Times
Enlisted Men	Typical	When Authorized: 1. Special Conditions 2. Food Not Available 3. Emergency

The "special conditions" or commuted allowance is the most common cash food allowance and it accounts for approximately 95 percent of the enlisted cash food allowances.

The "food not available" rate is used sparingly. It accounts for approximately five percent of the enlisted cash food allowances.

The "emergency" rate is normally not used due to the strict interpretation of the conditions of entitlement.

The cash food allowance has varied historically between either an arbitrarily established amount not based on food costs and an amount sufficient to cover actual food costs.

4. Description of Alternative Systems.

There are two possible alternatives to the existing military food system: a "purely" food-in-kind system or a "purely" cash-food-allowance system. These systems conjoined are the two component parts of the current military food system.

There are, further, possible variants to the cash-food-allowance component of the existing military food system. The two major

* For additional details, see Part Three, DOD Military Pay and Allowances Entitlements Manual.

variants are (1) to maintain different levels of officer and enlisted cash-food-allowance rates, or (2) to equalize the present two levels.

Similarly, there are several possible alternative bases for establishing and adjusting the cash-food-allowance rate(s)--viz., based on arbitrary standards, based on the level of Government raw-food costs, or based on the level of food costs in the civilian market.

5. Analysis of the Present System.

a. General.

The following paragraphs analyze the present food system's effectiveness, economy, efficiency, equity, and psychosocial effects.

b. Effectiveness.

The present military system of providing food is generally accepted by military personnel as being effective in sustaining them in both peacetime and wartime.

c. Economy.

Given the size of the mission-required and authorized total military force, the costs of providing food to that force is determined by the resources necessary to sustain it. There must be immediately available for use in peacetime and contingencies sufficient resources of land, labor, and capital -- i.e., land, dining halls, culinary equipment, chairs, tables, cooks, cooks' helpers, and food -- to fulfill the mission of providing food sustenance to that force regardless of whether or not the required military force currently eats as an entire or partial force in the military dining facilities.

Since the mission-fixed resources, above, are sunk costs, costs of food are the only costs that vary with the number of persons eating in the dining facilities -- viz., up to the level of capacity operation of the fixed resources above. Because of this, should military personnel who are not provided food in kind but who receive the cash food allowance decide to eat on a full or part-time basis in a military dining facility, their eating there does not constitute an addition to the mission-related fixed costs of the dining operations. It does, however, constitute to the degree of the food costs, an addition to total variable costs; i.e., marginal costs. This is so because the production of existing dining

facility personnel -- cooks, cooks' helpers, and other -- can be increased, if necessary, by extending duty hours to some positive level to prepare food and serve those persons receiving a cash food allowance but who eat in the military dining facilities for mission-related or other purposes.

d. Efficiency.

Inasmuch as the food-in-kind and cash-food-allowance systems are effective in meeting the military's mission-related requirements, the Army is fulfilling its food responsibilities in an efficient manner by an appropriate low cost mix of these systems.

e. Equity.

The military food system does currently have some inequities as follows:

(1) Officer and enlisted personnel, with presumptively equal food needs, are paid different cash food allowances.

(2) Officer and enlisted personnel are also treated differently on per diem food allowances. The law entitles an officer to a cash food allowance at all times, but enlisted personnel are not authorized the cash allowance while in a travel status. This condition exists because of a legal interpretation.

(3) Moreover, to the degree that the officer and enlisted cash food allowances are less than actual food costs, officer and enlisted personnel are required to eat "out of their own substance."

f. Psychosocial Aspects.

Food prepared and served in kind to the service member contributes to the environment of "the military family and community" considered essential to foster group cohesiveness, military esprit de corps, and success in battle.

Yet, the food-in-kind system is being eroded. If the military is to achieve maximum operational effectiveness by the "agglutination of the military society into the 'one body, one spirit' essential and integral to the reinforcement of the mutual commitments of the soldier to his comrades, his unit, his service, and his Nation,"² the food-in-kind system should be maintained as a normal part of the military member's life. It is an essential cornerstone in the edifice of the military community that must be preserved.

6. Analysis of Alternative Systems.

a. General.

There are, as stated above, two possible alternatives to the existing military food system: a "purely" food-in-kind system or a "purely" cash-food-allowance system.

Because the military force is partially on post and partially off post, both a food-in-kind system and a cash-food-allowance system are required.

Moreover, an in-being integral food-in-kind system, ready for commitment to provide support to troops in combat, is essential at all times.

In summary, neither a "purely" food-in-kind system nor a "purely" cash-food-allowance system is suitable for today's Army.

b. Analysis of Subsystems.

Additional analysis of the subsystem alternatives described above is as follows:

(1) Maintaining different officer and enlisted personnel cash food allowances would only continue the inequities between officer and enlisted personnel.

(2) Equalizing the officer and enlisted cash-food-allowance rates would: (a) if arbitrarily established, not be credible to the individual military member because the amount may or may not reflect true food costs; (b) be credible if the rates were established at Government raw-food costs and changes based on subsequent changes in raw-food costs; and (c) be credible if the rates reflected actual civilian food costs based on costs in the civilian market place with adjustments determined by food costs indexes; however, this would be extremely costly.

7. Comparison of the Present and Alternative Systems.

The possible present and alternative subsystems are compared in paragraph 6b above. See Appendix 5-A for a conceptual comparative analysis.

8. Conclusions.

The present military food system, modified as indicated below, is in the best interests of the Nation and its military service members. It should be continued.

9. Recommendations.

The following modifications in the present military food system should be implemented:

(1) Equalize officer and enlisted cash-food-allowance rates at the raw-food costs -- i.e., the unprepared food costs -- to the Government.

(2) With regard to the payment of per diem allowances, both officer and enlisted personnel should be treated equally; that is, the allowance rate should be started, continued, and/or terminated at the same time, as appropriate. This would include enlisted personnel normally eating in military dining facilities as well as personnel receiving the cash food allowance.

"The foundation of an Army is the belly...."

- Frederick The Great, 1747

CHAPTER 6

QUARTERS

*"The duty of the general in...camps
is to restore his Army...."*

- Frederick The Great, 1747

1. Introduction.

Military quarters may be either "on-post" or "off-post." When sufficient "on-post" quarters are not available, "off-post" quarters are provided. The Government either (1) leases private accommodations within a reasonable distance of the relevant military post, or (2) pays an in-cash basic allowance for quarters to the member who is obligated to lease or purchase his or her own accommodations.

The fundamental purpose of military quarters is to provide shelter for military members and their families. On-post quarters, however, perform the following additional roles:

(1) establishing a set of physical space and time relationships that provide the basis for the professional, psychological, and societal relationships that undergird the establishment of an Army soul or esprit de corps. (See Chapter 2, above);

(2) assuring the health and physical readiness of the soldier through known adequate quarters;

(3) supporting, through their physical proximity, on-post individual and unit readiness training programs;

(4) providing, especially for overseas posts, a support base from which military power can be deployed to operational areas in support of national policy objectives; and

(5) providing a support base for forces which have the responsibility for security of critical U.S. Government property, such as nuclear weapons.

2. History of Quarters.

In 1776 the forerunner of the present system of military quarters was established for officer and enlisted members. U.S. Army Regulations.

In the mid 1800's, space standards for officers' quarters in kind were established. Officers were entitled to a specified number of rooms based upon their pay grade. When Government quarters were not available, officers were reimbursed for actual expenses paid by them for both housing and utilities. Enlisted personnel were also entitled to a cash quarters allowance when Government quarters were not available; however, this allowance was based upon the cost of Government in-kind quarters and not upon the actual expenses incurred. U.S. Army Regulations.

In 1870, Congress established a salary system for officers only. Quarters in kind could continue to be furnished to officers without charge; however, cash payments for off-post housing were abolished. Public Law 41-294 (1870).

In 1878, the prohibition against cash payments to officers for off-post housing was removed. A uniform per-room monthly cash payment was established for officers authorized to live off post. Public Law 45-263 (1878).

In 1907, Congress prescribed the number of rooms authorized for officers by pay grade. A variable allowance for heating, cooking, and light, depending on the number of rooms, season of the year, and geographical area was also authorized. Public Law 59-170 (1907).

In 1915, Congress enacted legislation which authorized enlisted personnel to receive an allowance for quarters when Government quarters were not available. The allowance was established at a fixed monthly rate with a variable allowance for heat and light. Public Law 63-292 (1915).

In 1918, Congress for the first time authorized payment of a "with dependents" cash allowance for quarters, heat, and light to officers when their dependents were not furnished in-kind Government living accommodations. Public Law 65-129 (1918).

In 1922, Congress created a rental allowance system. The base used to compute the rental allowance for officer personnel was the average monthly cost in the United States of renting one room. An officer with dependents was authorized more rooms than a comparable officer without dependents. Enlisted personnel not furnished quarters in kind were entitled to a cash allowance of seventy-five (75) cents per day. Public Law 67-235 (1922).

In 1925, the U.S. Court of Claims decided that BAQ should not be subject to federal income tax. The court concluded that "quarters furnished to officers of the Army in kind and

commutation of quarters (cash allowance) paid to them where quarters cannot be furnished in kind are allowances and not compensation within the meaning of the laws of Congress imposing the income tax." (parenthesis supplied).¹

In 1940, Congress authorized on-post Government quarters for enlisted personnel of the three highest pay grades and their dependents, or a cash allowance in lieu of such quarters. Public Law 76-872 (1940).

In 1942, Congress changed the method of calculating the quarters allowance from a number-of-rooms system to a fixed monthly amount based on pay grade and dependency status. Public Law 77-607 (1942).

In 1949, the Career Compensation Act replaced the rental allowance with the existing basic allowance for quarters (BAQ). This act established BAQ for each officer grade at amounts estimated to be equal to the maximum monthly rate at which seventy-five (75) percent of the civilians in comparable income groups could reasonably expect to find adequate bachelor or family housing. The category of enlisted personnel entitled to dependent housing was increased to include members of pay grade E-4 (with seven or more years of service) through the highest enlisted pay grade. Enlisted members with dependents were entitled to BAQ at a fixed monthly rate of \$67.50 per month when they were not assigned Government quarters adequate for both themselves and their dependents. Public Law 81-351 (1949).²

In 1963, Congress authorized optional residency of Government quarters for commissioned officers in the pay grades of O-4 and above who do not have dependents. Public Law 88-132 (1963).

In 1966, Congress established that the rental charge for the member who occupies family quarters which have been designated as "other than adequate" quarters shall not be established at a level in excess of seventy-five (75) percent of the member's BAQ. Public Law 89-568 (1966).

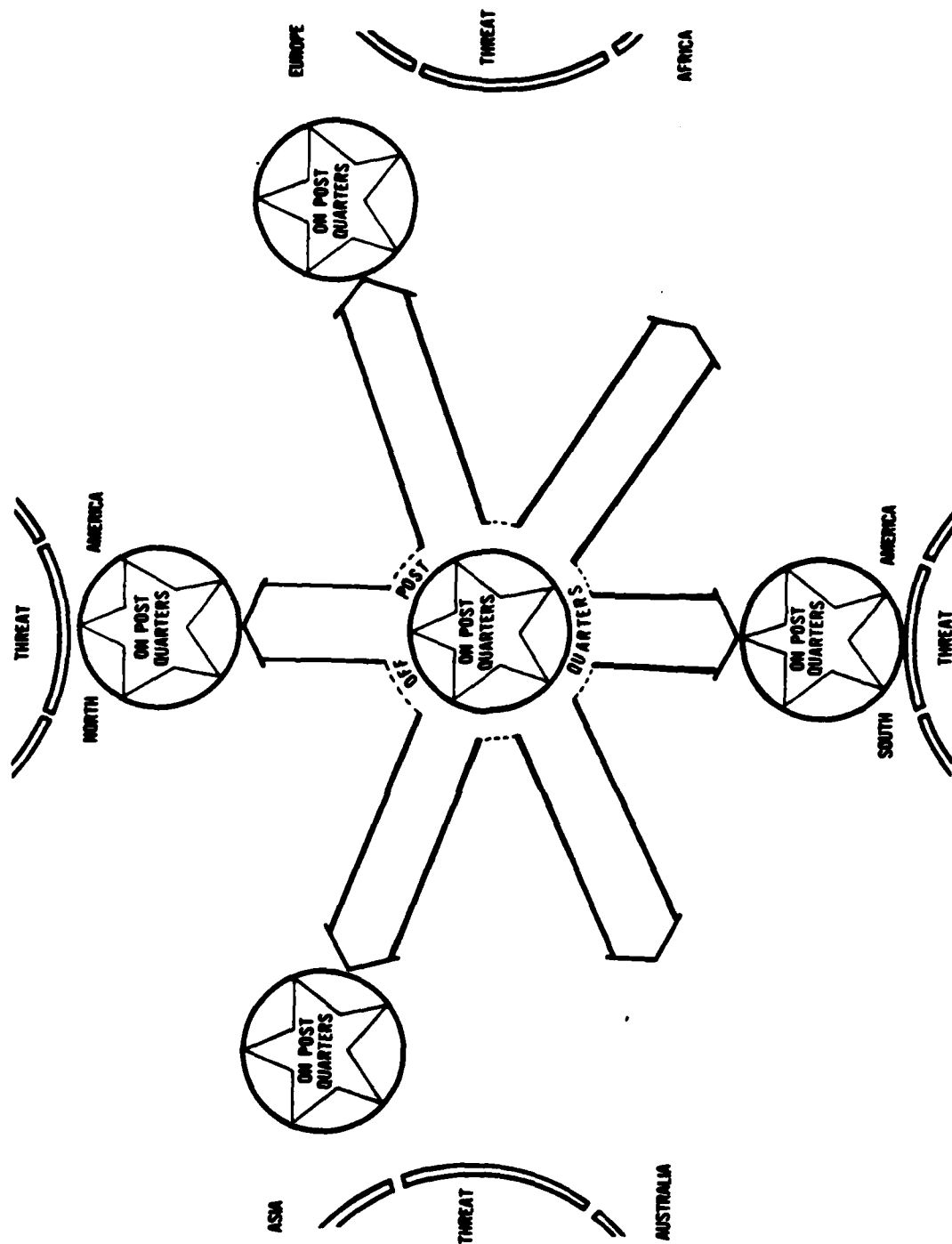
In 1974, Congress authorized an increase in all BAQ rates when Regular Military Compensation was increased comparably with increases in the General Schedule salaries of federal civil service employees. Public Law 93-419 (1974).³

3. Description of the Present Quarters System: Level and Structure.

a. General.

Figure 6-1 below, is a schematic diagram of the U.S. Army quarters system on a world-wide basis.

FIGURE 6-1
WORLDWIDE ARMY QUARTERS SYSTEM IN SUPPORT OF FORCE STATIONING AND DEPLOYMENTS



SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE,
THE PENTAGON, WASHINGTON, D.C.

The stars represent on-post quarters. The circles which circumscribe the stars represent the military community with its group cohesion and unity of purpose which is derived in part from on-post quarters. The arrows emanating from the military community depict the potential projection of military power from military posts within the continental United States to overseas theaters. The broken arcs represent threats to the interests of the U.S. and its allies on the various continents of the world.

As the schematic indicates, the proximity of the external threat strongly influences the condition that most military quarters overseas are located on or in proximity of the post in order to support rapid military actions to meet any contingency.

b. On-Post Quarters.

On-post housing has historically been structured to recognize different grades and also dependency status of the members.

Grade differences are recognized for junior enlisted, senior enlisted, company grade officer, field grade officer, senior grade officer and general officer. For example, all majors and lieutenant colonels would be entitled to receive field grade officer quarters and all such quarters would be approximately equivalent in size.

Dependency status is recognized by the location of the quarters. Junior enlisted single members are quartered in barracks which are located adjacent to their duty station. Junior officer and senior enlisted single members reside in separate on-post officer and enlisted single member quarters areas respectively. Field grade single member officers (majors and above) are authorized by federal law to reside off-post. Officer and enlisted personnel with families reside in separate on-post officer and enlisted family quarters areas, respectively. Personnel of equal rank groups with families, for example senior enlisted personnel, are normally housed in essentially the same part of a given family housing area.

On-post quarters generally vary in size according to pay grade. Moreover, the type of quarters normally provided to a member with a family is based upon the number, the sex, and the age of the member's dependents. Generally military members are authorized a greater number of bedrooms and additional square footage per housing unit if they have a greater number of dependents. The authorized square footage standards are

contained in Appendices 6-B and Appendix 6C for family and single quarters respectively.

If in-kind quarters are available and adequate, then the member is only entitled to receive quarters in kind (QIK). However, for members with families, if only substandard in-kind quarters are available, then either they are entitled to receive in addition to their inadequate QIK a percentage of their cash basic allowances for quarters (BAQ) as a rebate in recognition of this inadequacy, or they are authorized to reside in off-post housing and are entitled to receive a full BAQ.

The elements of the QIK subsystem are defined as follows:

- (1) Land. The grounds on which the buildings and other real property are located.
- (2) Buildings. New and old construction, construction for improvement of old quarters, debt payments, and lease payments for private housing rented by the Government.
- (3) Furnishings. Government-owned furniture and household movable equipment and its control, maintenance, repair, moving, handling, storage, acquisition, and replacement.
- (4) Labor. All directly identifiable military and civilian supervisory, administrative, and clerical labor in the offices of the installation engineer and the family housing manager.
- (5) Maintenance. The maintenance and repair of dwelling units, exterior utilities, maintenance and repair of other real property, and minor alterations and additions.
- (6) Utilities. The consumable electricity, gas, fuel, oil, water, sewage, steam, and coal. Also included are services such as refuse collection, fire prevention, police protection, entomological and custodial services, snow removal, and street cleaning.

c. Off-Post Quarters.

As stated above, when a member is authorized to reside off post, he is entitled to receive an in-cash basic allowance for quarters (BAQ). The level of BAQ -- that is the amount of monthly cash payment -- varies by military grade and dependency status. As military grade increases, the amount of BAQ increases. In addition there are two levels of BAQ within each military grade. These levels are a function of whether members are single or whether they have families. See Appendix 6-D for the present basic allowance for quarters rates for each military grade.

While there have been standards for determining the level of BAQ in the past, there is currently no established standard. When a standard is again re-established, special care must be taken to assure that BAQ is not set at a level that provides a disincentive to military members to live in on-post quarters.

4. Description of Alternative Quarters Systems: Level and Structure.

The present quarters system is a "mix" of on-post and off-post quarters. The only possible alternatives to the existing military quarters system are either a purely quarters-in-kind system or a purely cash-quarters allowance system.

Under the existing military quarters system, and assuming its continuance, there are some "mix" alternatives as follows:

a. QIK System.

An alternative QIK system would include all the elements of the present QIK system except that a substandard quarters category would be created for single members as well as for members with families. Under this alternative, if only substandard QIK are available, then either all members would be entitled to receive a percentage of their in-cash BAQ as a rebate in addition to their inadequate QIK, or they would be authorized to reside in off-post housing and be entitled to receive a BAQ.

b. BAQ System.

An alternative BAQ system would establish some type of linkage between BAQ and average private rental housing costs. Under this alternative, pay grade differentials for single members and members with families would remain the same as under the present system.

5. Analysis of the Present Quarters System.

a. General.

The present quarters system will be analyzed in terms of its effectiveness, economy, efficiency, equity, and psychosocial aspects.

b. Effectiveness of the Present Quarters System.

(1) Group cohesion. Group cohesion is basically the result of a process in which all of the elements of the group provide mutual support to the psychosocial needs of the other members of the group. On-post quarters provide the physical basis for the proper type and frequency of societal relations required to develop a strong sense of group togetherness and unity of purpose. A broad spectrum of feelings including joy, sorrow, and contentment are shared by the group as a whole and this situation tends to reinforce each individual's sense of belonging.

As an example, on-post housing assignment policies result in members of generally equivalent rank groups living in close proximity. Members of different rank groups are separated by a reasonable distance. This way of living tends to encourage group cohesion on a historically accepted military basis.

Moreover, the continuing growth of the military way of life is induced by the existence of the military community with its barracks and on-post family housing which provides the conditions for the continuing interaction process by which junior officer and enlisted personnel are developed into capable professionals.

(2) Mission Readiness.

The location of quarters is a major determinant of the degree of effectiveness of individual and unit training and maintenance activities. Personnel living in on-post quarters do not have to travel distances off-post for food and shelter. Such a situation provides an opportunity for greater productivity of unit training and maintenance programs because of the additional time which is available for instruction. Improvement in individual performance is also possible because individuals can use some of the additional time to maintain themselves and their properties. Essentially travel time to and from the location of the members' food and shelter is being traded off for productive professional or personal time. Accordingly greater training and maintenance efficiency can be obtained from programs that are supported by on-post quarters.

(3) Mission Accomplishment.

On-post quarters provide in-being, on-site military forces for the protection of the United States nuclear and conventional arsenals. Such stocks must be adequately secured and available.

On-post quarters also provide for protection of the post against possible foreign populace rioting. Organized rioters could easily interdict the movement of off-post personnel to the post. On-post quarters provide an available source of personnel whose movement will not be interdicted.

As a result of considerations to implement some type of "fair market rental" system for on-post as well as off-post housing, the question of optional residency has arisen. One aspect of this issue concerns whether the military member should have a choice of either occupying available on-post housing or occupying off-post private housing.

Optional residency opens up the possibility of more members living off-post. To the degree that it occurs, this would tend to adversely affect the development of a cohesive military force. It would, moreover, reduce personnel availability which in turn would tend to lessen mission readiness and accomplishment, especially overseas.

c. Economy of the Present Quarters System.

(1) General.

There are two basic issues concerning the cost of the quarters system: the amount of the costs of quarters and the attribution of these costs to either the Government as a "cost of doing business" or to the military member as an item of compensation.

(2) Quarters-In-Kind or On-Post Cost Models.

(a) Total Cost Model.

The present QIK system as described above consists of the following elements: land, buildings, furnishings, labor, maintenance and utilities. Associated with each one of these elements is a specific cost. The sum of all the unamortized costs of the above elements represents the total cost of the QIK system.

(b) Average Total Cost Model.

The average total cost is determined by dividing the total costs of the QIK System, above, by the number of military members who occupy quarters in kind.

(c) Marginal Cost Model.

All land, buildings, fixtures, furnishings, labor, and maintenance costs comprise, in a positive unspecified degree, elements that are essential supports of the military's mission requirements. On-post quarters support the development and maintenance of an effective military fighting force that is available to defend and deter threats against national security. It is clear that the Government provision of quarters to its members is of benefit to the Nation. This portion of the costs accordingly should be classified as a Government "cost of doing business" and attributed to the Government.

Utility costs and certain portions of building, fixture, furnishings, maintenance, and labor costs are costs "beyond the margin" -- that is, they vary with the utilization of the quarters and are properly attributed to the military member. These costs include only those costs which would be in excess of the building, fixture, furnishings, utility, maintenance and labor costs of "closing the door and mothballing" the quarters. Such "closed door and mothball" costs would be military mission requirement costs.

The compensation costs discussed above should be attributed in the following manner:

- Calculate the total maximum authorized square footage of quarters in kind which are presently occupied by military members.
- Determine the unamortized cost per square foot of the total maximum authorized square footage of QIK using only the utility, building, fixture, furnishings, labor, and maintenance costs discussed above.
- Multiply the unamortized cost per square foot times the average authorized square footage per member for each military grade.
- The result is the average marginal cost for attribution to the military member for each military grade.

(3) Basic Allowance for Quarters or Off-Post Cost Models.

(a) Total Cost Model.

The present BAQ system as discussed above consists of the following elements: cash BAQ for single members, cash BAQ for members with families, and rebate payments for substandard

family housing. Associated with each one of these elements is a specific cost rate. This rate is multiplied by the number of members which are associated with each of the above elements. These elements are then added to obtain the total cost of the BAQ system.

(b) Average Total Cost Model.

The average total cost is determined by dividing the total BAQ costs by the number of military members who receive in-cash BAQ.

(c) Marginal Cost Model.

The marginal costs are those costs added to quarters costs by each additional amount of actual cash payments to military members for off-post quarters (BAQ); viz., the marginal cost would be zero if no military members lived off-post and it increases for each member who lives off-post in the amount of the BAQ cash payment made to the member.

Each additional amount in the marginal cost model is equal to the average total cost, and the aggregate of the additional amounts is equal to the total cost of off-post quarters.

See Appendix 6-E for details on the costs of the QIK and BAQ systems.

d. Efficiency of the Present Quarters System.

The operational definition of efficiency used here is the ability to produce a desired effect with a minimum of resources, efforts, and/or expenses. The efficiency of quarters can be expressed as the ratio of the effectiveness of quarters divided by the economy of quarters. The basic efficiency issue of the present quarters system concerns the relative efficiencies of on and off post quarters.

Both on and off post quarters provide equally adequate shelter for military members and their families. However, as discussed above, on-post quarters contribute to the development and maintenance of a cohesive military force and to the enhancement of personnel availability which in turn tends to increase mission readiness and accomplishment. Off-post quarters, to the degree that military members live off-post, decrease the level of support to the above psychosocial and mission related effects. It is

accordingly concluded that the effectiveness of on-post quarters is greater than the effectiveness of off-post quarters.

Because the relative effectiveness of on-post quarters is greater than that of off-post quarters, above, and, assuming equal average that costs for military and civilian housing, the efficiency of on-post quarters is greater than that of off-post quarters.

See Appendices 6-F and 6-G for the present average total costs structure.

e. Equity of the Present Quarters System.

(1) General.

There are three basic equity issues under the present quarters system.

(a) The relationship between cash BAQ for off-post quarters and costs of private housing.

(b) The relationship between cash BAQ for off-post quarters and the perceived value of on-post quarters.

1 Single members

2 Members with families

(c) The relationship between BAQ for single members and members with families.

(2) Relationship Between Cash BAQ and Private Housing Costs.

BAQ is intended to be structured so that military members of a given income group can rent off-post housing that is comparable to the housing which is received by members of the same income groups who live on post.

One view is that over the period of a military career the BAQ which each member receives will, on the average, defray the costs of private rental fees. In other words, members will reside at certain times in areas where the BAQ is more than adequate to defray the costs of private rental fees and at other times in areas where the BAQ is less than adequate to defray the costs of private rental fees.

Another view is that BAQ does not presently enable military members to lease private housing that is comparable to on-post housing unless the military members use money from other income sources to pay for the rental fees. Such a condition is perceived as inequitable.

(3) Relationship Between Cash BAQ and the Perceived Value of On-Post Quarters.

(a) Relationship Between Single QIK and BAQ Rates.

One view is that the current values of the single BAQ rates are greater than the current values of single QIK. Such a situation is perceived as an inequity by single members who receive QIK and who also perceive that they are "forfeiting" their BAQ when they receive QIK. The exact degree of inequity, if any, is difficult to measure. However, if the current BAQ rates were increased in the future, then the degree of inequity would become more significant, according to this view.

Another view is that over the period of each military member's career the average value of QIK would be comparable to the average value of BAQ. As mentioned above this effect occurs because of differences in private housing costs in various locations throughout the United States.

(b) Non-taxable Rebate for Single Members Living In Substandard QIK.

There are single members that are currently occupying inadequate and/or substandard bachelor housing and are "forfeiting" the full amount of their BAQ. Because members with families are authorized a non-taxable rebate when they live in family housing which is substandard, and currently single members are not. Single members are not being treated in an equitable manner under the current system.

(c) Relationship Between QIK and BAQ Rates for Members with Families.

One view is that the current values of the BAQ rates for members with families are less than the current values of QIK for such members. Such a situation is perceived as an inequity especially by those who receive BAQ. The exact degree of inequity is difficult to measure. If the current BAQ rates were

increased in the future then the degree of inequity, to the extent that it currently exists, would become less significant.

Another view is that over the period of each military member's career the average value of QIK would be comparable to the average value of BAQ. As mentioned above the effect occurs because of differences in private housing costs in various locations throughout the United States, and because of the availability and quality of QIK.

(4) Relationship Between BAQ for Single Members and Members with Families.

Currently BAQ entitlements are based upon dependency status as well as pay grade. The payment of an increased amount of BAQ to service members with families recognizes the increased expenses that such service members are likely to incur due to their responsibilities for dependents. The equity issue concerning the within pay grade differential between BAQ rates for single members and members with families is whether these rates should remain as they are currently configured or whether these rates should be made equal for all members.

The equity aspects of the issue of BAQ for single members and members with families can be viewed as follows: Either the equity of BAQ is a function of work performed or it is a function of the members' needs.

If BAQ is perceived as being pay for services rendered, then the different amounts paid to single members and members with families of the same military grade may be perceived to violate the principle of equal pay for equal work.

If one accepts the premise that -- (1) members with families are equals as to each other and are being treated equally and (2) single members are equals as to each other and are being treated equally -- then an equity issue does not exist between single members and members with families. Basically people with equal needs are being treated equally and people with different needs are being treated differently.

In addition, if single members decide that they want to assume responsibility for a dependent then they have the freedom of choice and equal opportunity to assume this responsibility and accordingly to receive BAQ at the member with a family rate.

Also, if an equal quarters allowance is paid to all members, single members' net disposable income after necessities will be greater than that of members with families. This condition will occur because the housing needs of single members are less than the housing needs of members with families. Such differences in net disposable income after necessities also represent inequities.

The issue of the relationship between BAQ for single members and members with families is also a part of the issue of individual versus national equity. That is, the Nation has an "equity" interest in keeping the allocation of national resources to national defense consistent with attaining and maintaining the most effective military force possible in the most economical manner possible. The payment of BAQ to single members at the same rate for members with families will probably not increase the effectiveness of our military forces; however, it will increase the costs of obtaining the present levels of effectiveness.

In view of the above analysis, it appears that there is no significant inequity, if any at all, in the present distinction between BAQ rates for single members and members with families.

f. Psychosocial Aspects of the Present Quarters System.

(1) General.

The present quarters system including both QIK and BAQ acts as an incentive to attract, motivate and retain the required quantity and quality of personnel needed to accomplish assigned missions. As an incentive it should be sufficient to compete with other occupational sectors. Basically military housing should be comparable to housing in the civil service and private sectors.

(2) On-Post versus Off-Post Quarters Incentive Relationships.

One view is that on-post family housing currently represents an incentive to military members which is greater than the incentive that BAQ for members with families offers to members who live in off-post private housing. This situation occurs because the on-post member with family receives housing which is adequate for his needs. The off-post member with family receives a BAQ which often does not defray the rent and utility costs of leasing private housing comparable to on-post housing. In order to obtain adequate housing, off-post members with families often spend part of their basic pay to defray housing expenses. This situation

results in the off-post member with family having a lesser net disposable income after necessities than does his on-post counterpart.

Also, one view is that on-post single housing currently represents a lesser incentive to military members to live on-post than the incentive that single BAQ offers to live in off-post private housing. Although off-post single members receive BAQ payments which do not generally defray average housing costs of leasing private housing, they believe that they are better off than on-post members for two reasons. First, single members perceive that off-post private housing offers greater privacy than on-post housing. Second, if a small number of single members voluntarily pool their BAQ payments, then they can lease off-post private housing which is adequate in terms of size and quality. Such circumstances are perceived to be preferable to the possibility of being require to live in "inadequate" on-post single housing.

Another view is that over the period of each military member's career the average value of QIK would be comparable to the average value of BAQ. Therefore, on-post housing offers an incentive which is equivalent to the incentive that BAQ offers.

Essentially military members of equivalent military grade and dependency status are entitled to equal BAQ and QIK. These entitlements provide equal incentives to all members except single members who may occupy substandard on-post housing. Accordingly equal satisfaction with the present on-post and off post quarters systems should exist except for the case of substandard single housing.

6. Analysis of Alternative Quarters Systems.

a. General.

Alternative quarters systems will be analyzed in terms of their effectiveness, economy, efficiency, equity and psychosocial aspects.

b. Effectiveness of Alternative Quarters Systems.

The alternative quarters systems would provide the same quality and quantity of effectiveness that the present quarters system provides.

c. Economy of Alternative Quarters Systems.

(1) Quarters In Kind Cost Model.

Under the proposed alternatives the cost models for

quarters in kind would be the same as under the present quarters system.

(2) Basic Allowance for Quarters Cost Models.

The alternative BAQ system cost models would consist of the same elements as the present BAQ system cost models except that an additional element, that is rebate payments for sub-standard single housing would be included.

d. Efficiency of Alternative Quarters Systems.

The alternative quarters systems would provide essentially the same quantity of efficiency that the present quarters system provides.

e. Equity of Alternative Quarters Systems.

(1) General.

The discussions included under the equity of the present quarters system identified several basic equity issues. The alternative quarters systems would influence the following equity issues associated with the present quarters system:

(a) Should BAQ defray the average costs of private housing for members who live off post?

(b) Should the value of QIK be equivalent to the value of BAQ for both single members and members with families?

(c) Should single members receive a non-taxable rebate when they occupy substandard single QIK?

(2) Relationship Between BAQ and Private Housing Costs.

One view is that the present BAQ system should defray the average housing costs of military members who live in private housing. If BAQ does not defray the average housing costs of military members who live in private housing, then on-post and off-post members would not have equivalent discretionary incomes after expenditures for necessities. The purpose of BAQ is to ensure that military members of a given income group can rent off-post housing that is comparable to the housing which is received by members of the same income groups who live on post. Given this purpose, this view holds that on and off post members should have equivalent discretionary incomes after necessities.

If the average private housing costs become significantly greater than the level of BAQ, then this suggests

the need for the construction of additional Government quarters. The rationale for the construction of additional on-post Government quarters is based on previous discussions which indicate that on-post quarters are more efficient than off-post quarters.

(3) Relationship Between the Value of QIK and the Value of BAQ.

As previously mentioned, a purpose of BAQ is to ensure that military members of a given income group can obtain off-post housing that is comparable to the housing which is received by members of the same income groups who live on post. The basic principles that should guide the relationship between BAQ and QIK are the principle of equal discretionary income and the principle of comparable adequacy standards. Paragraph 6e(2), above, has discussed the principle of equal discretionary income. Paragraph 6e(4), which follows, will discuss the principle of comparable adequacy standards.

(4) Non-taxable Rebate for Single Members Living in Substandard QIK.

As previously mentioned there are single members that are currently occupying substandard single housing. Members with families are authorized a non-taxable rebate when they live in family housing which is substandard. The proposed alternative QIK system which creates a type of quarters in kind that is defined as substandard single QIK would provide a basis for the correction of the present inequity and should result in all on-post members having comparable adequacy standards.

f. Psychosocial Aspects of Alternative Quarters Systems.

Essentially the alternative QIK system should ensure the basis for equal incentives to all military members of equivalent military grade and accordingly equal levels of satisfaction; i.e., a rebate should be given to single military members who occupy substandard on-post housing.

7. Comparison of the Present and Alternative Quarters Systems.

The key factors involved in the comparison of the present and alternative quarters systems are the effectiveness, economy, efficiency, equity, and psychosocial aspects of these quarters systems.

The effectiveness of the present and alternative quarters systems would be essentially equivalent. However, the effectiveness of on-post quarters is greater than the effectiveness of off-post quarters in terms of attaining and maintaining group cohesion, mission readiness, and mission accomplishment.

The economy and efficiency of the present and alternative quarters systems would be essentially equivalent.

The equity and psychosocial aspects of the present and alternative quarters systems would be essentially equivalent with one exception. The alternative system that would provide a non-taxable rebate for single members living in substandard QIK would establish greater equity and psychosocial incentives than does the present system. Accordingly, the alternative system should result in improved attraction, motivation, and retention.

8. Conclusions.

a. On-post quarters perform a mission-support role for the ground forces. They are, in this role, a benefit to the Nation as well as to military members.

b. Comparing on-post quarters and off-post quarters, the former are more effective and efficient than the latter.

c. The quarters system should not charge members rates or costs at a level greater than the Government cost of quarters as indicated below. If the Government were to do this, it would be making a profit off of the service member, and the Government is a non-profit institution.

d. The costs of the quarters system which should be aggregated, attributed, and allocated, on an average basis, to military members as compensation are:

(1) The unamortized Government costs of on-post quarters (QIK), in accordance with the marginal cost model presented in paragraph 5c(2) (c), and

(2) The aggregate actual cash payments for off-post quarters (BAQ) in accordance with the marginal cost model in paragraph 5c(3) (c).

e. The remaining costs of the quarters system, except for those specified in paragraph 8d immediately above, should be attributed and allocated to the Nation as a Government cost of doing business.

f. While construction of permanent buildings for on-post quarters is mission-related and a benefit to the Nation, it is also a benefit to the military member. The unamortized costs thereof should be apportioned on the basis of benefit and attribution made to the Nation and members in accordance with 8d (1) and 8e, above.

g. The off-post quarters rate (BAQ) should be established at a level equal to Government costs subject to the limit that it be established at a level that does not constitute a disincentive to military members to live on post.

h. When members occupy "substandard" on-post quarters in kind, they should be entitled to receive a reasonable rebate. This rebate should be provided to members with families and single members. See Public Law 89-568 of 1966 in paragraph 2, above.

9. Recommendations.

It is recommended that the present quarters system be continued with the following modifications as detailed in the conclusions, above:

a. On-post quarters, being more effective and efficient than off-post quarters, should be firmly established as the norm for military housing. On-post quarters construction should, accordingly, be given priority over off-post housing.

b. The Government costs of on-post (QIK) and off-post (BAQ) quarters should be attributed to the Nation and to the military members on a marginal cost basis as above indicated.

c. The off-post quarters rate (BAQ) should be based upon the standard of Government costs.

d. Military members should receive a reasonable rebate when the quarters they occupy are categorized as "substandard."

CHAPTER 7

CLOTHING

*"The troops I have commanded have always
been well-dressed, been smart saluters,
been prompt and bold in action. . . ."
(underline supplied).*

- George S. Patton
General, United States Army

1. Introduction.

The mission of the Army includes, as a part, the provision of military clothing to all its personnel.

2. History of the Present System.

From 1775 until 1802 a combination of methods for providing military clothing including uniforms was used, such as individual purchases of uniforms by service members with reimbursement for individual purchases being made by the Army, and individual issue of uniforms with deduction being taken from the service members' pay. In 1802, the military clothing system, in basically its current form, was first established within the Army.

With the exception of periodic changes in the amounts of money provided for the reimbursement of military members for individual purchases of uniforms, when authorized, the clothing system for the Army has not significantly changed.

3. Description of the Present System.

Personnel of the Army are provided military clothing on the following bases.

a. Officer Personnel:

(1) Regular Officers. Reserve Officers Training Corps (ROTC) graduates commissioned in the Regular Army are entitled to an initial clothing allowance.

(2) Reserve Officers. Reserve Officers are entitled to:

(a) An initial military clothing allowance upon original entry into the service. This cash allowance ranges in amount depending upon the source of procurement and is payable only once to the officer as a member of the same service, and

(b) A supplementary cash maintenance allowance for every four years of active reserve service, and

(c) If applicable, an additional allowance as a reimbursement for additional uniforms and equipment required upon entry on active duty (EAD or ADT) for more than 90 days, and upon reentry on active duty for more than 90 days following a two-year period during which no active duty of more than 90 days was performed.

(3) Regular and Reserve Officers. Officer personnel do not receive any form of monthly clothing maintenance allowance as do enlisted members.

b. Enlisted Personnel:

(1) General. All enlisted personnel are entitled to the following clothing allowances:

(a) Initial Clothing Monetary Allowance (ICMA). The ICMA reflects the cost of the initial clothing issue for enlisted men and women.

(b) Basic Maintenance Allowance (BMA). BMA is a monthly allowance paid during the first three years of service. BMA begins after the first six months of service.

(c) Standard Maintenance Allowance (SMA). SMA is a regular monthly allowance paid after completing three years of service. Both BMA and SMA are provided for repair, maintenance, and/or replacement of the military clothing initially furnished.

(2) Special. As applicable, specific enlisted members are entitled to a special or supplemental clothing allowance, in cash or "issue-in-kind", when assigned to duty requiring additional quantities or special items of individual uniform clothing not normally required for enlisted members in the same service; e.g., honor guard duties, recruiters and military police.

(3) Civilian Clothing Monetary Allowance. Provided when member is required to perform duties while dressed in civilian attire. Examples include intelligence or counter-intelligence duties, and duty in a foreign country where the host Government

prohibits or discourages the wearing of uniforms by other than its own military or naval personnel.

Figure 7-1, below, depicts the current organization of the Army Clothing System. The system is manned at the general and direct support "retailer" levels by military personnel* and a mixture of military and civilian personnel at the "wholesaler" level. Army military clothing is under the staff supervision of the Deputy Chief of Staff for Logistics (DCSLOG), Headquarters, Department of the Army. The Deputy Chief of Staff for Personnel specifies the uniform standards; i.e., style, color, material.

4. Description of Alternative System. There are currently no alternative systems under consideration.

5. Analysis of Present System.

a. General. An overview of the current Army Clothing System, in terms of its effectiveness, economy, efficiency, equity, and psychosocial elements is as follows:

b. Effectiveness. The current method of either supplying or providing a cash allowance for clothing to all members of the Army in peace or wartime, as appropriate, has proven to be an effective system.

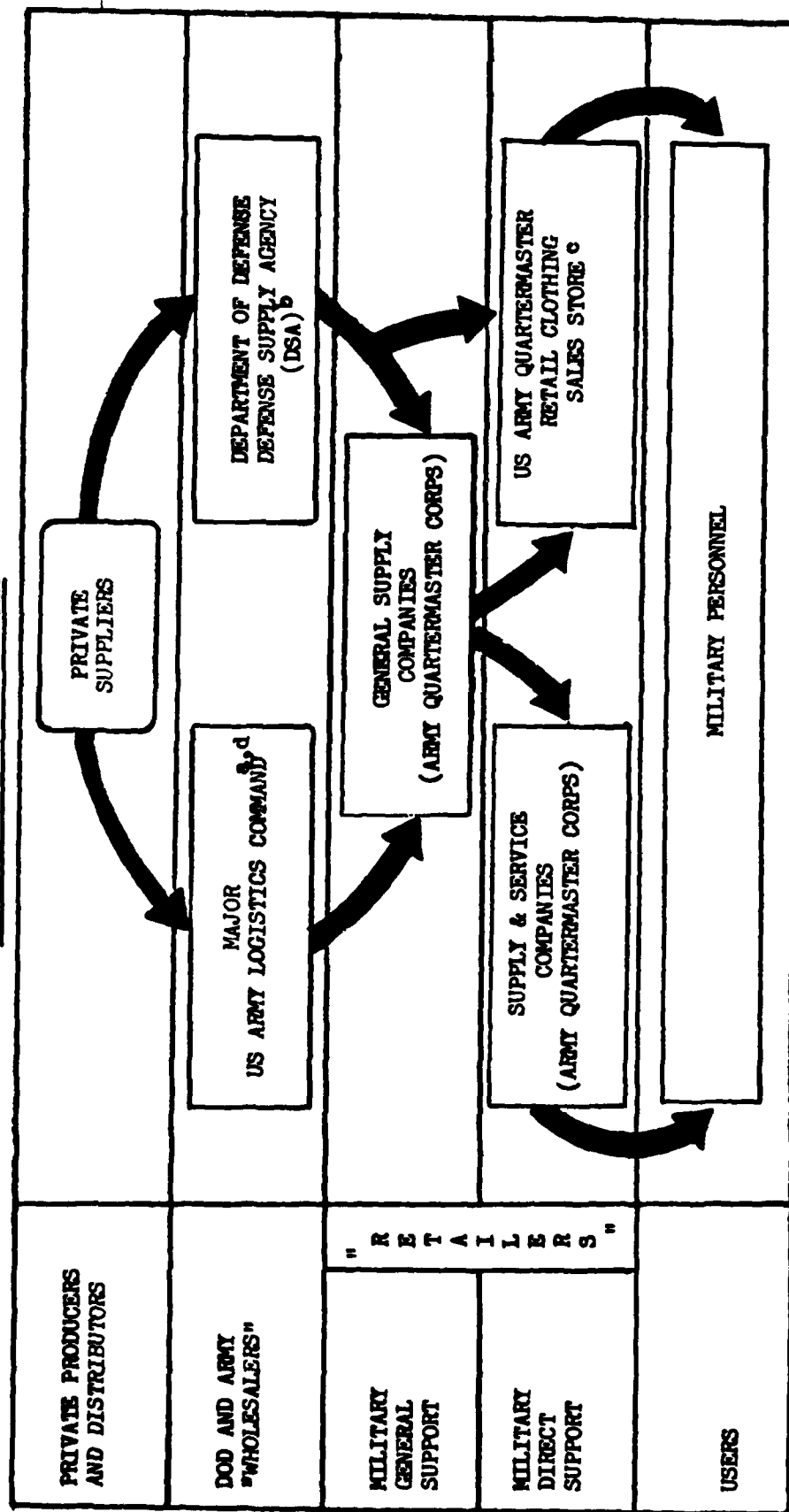
c. Economy. The present system, through its consolidated purchasing in bulk quantities, achieves the lowest possible costs for items of military clothing. Moreover, the current system assures that military clothing meets "uniform" quality standards--i.e., color, style, material -- required, in turn, to meet military appearance requirements.

d. Efficiency. The Army, by procuring clothing in bulk quantities from various civilian firms, as stated above, is able to meet its military clothing responsibilities at the lowest possible cost to the Government.

e. Equity. All personnel in the Army are issued and/or are required to wear the specified uniform. Uniform items issued and/or the cash allowance for their purchase are non-taxable because they are required by the Government and cannot be used for normal civilian clothing. There is no equity issue involved with the exception of the clothing maintenance allowance provided; i.e., enlisted personnel are entitled to a monthly maintenance allowance, but officer personnel are not.

* However, retail clothing store elements, especially in CONUS, are operated with civilians as well as military personnel.

Figure 7-1
THE U.S. ARMY CLOTHING SYSTEM



a/ Clothing items of the US Army; e.g. Army uniforms, raincoats, khakis, etc.

b/ Clothing items common to all Services; e.g. underclothing, footwear, etc.

c/ Retail Clothing Sales Store is also authorized to go directly to major US Army Logistics Command for clothing items.

d/ US Army Material and Readiness Command (DARCOM), formerly known as the US Army Material Command (AMC).

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D. C.

f. Psychosocial. The in-kind clothing issue and/or cash clothing maintenance allowances are an accepted element of the military way of life and, as a part thereof, contribute significantly to attracting, motivating, and retaining personnel who take "pride in the uniform" of the US Army.

6. Conclusions:

a. Uniforms are a requirement of the Military Services of the Nation.

b. Uniforms of the Armed Forces are traditionally treated as a Government "cost of doing business".

c. The current clothing issue and maintenance system is effective, economical, and efficient.

CHAPTER 8

TAX CONSIDERATIONS

*"It was as true ... as taxes is,
and nothing's truer than them."*

- Charles Dickens, 1850
English Novelist

1. Introduction.

The requirements of military service impact on the federal income tax liability of military members in several ways. The major tax "advantage" and "disadvantage" of the average service member, vis a vis the typical civilian, is as follows:

a. Advantage. Military quarters and food, or the cash allowance in lieu thereof, are not subject to the federal income tax. See paragraph 2, below.

b. Disadvantage. The average military member is pragmatically denied the opportunity to exercise the substantial tax "breaks" associated with home ownership. See paragraph 3, below.

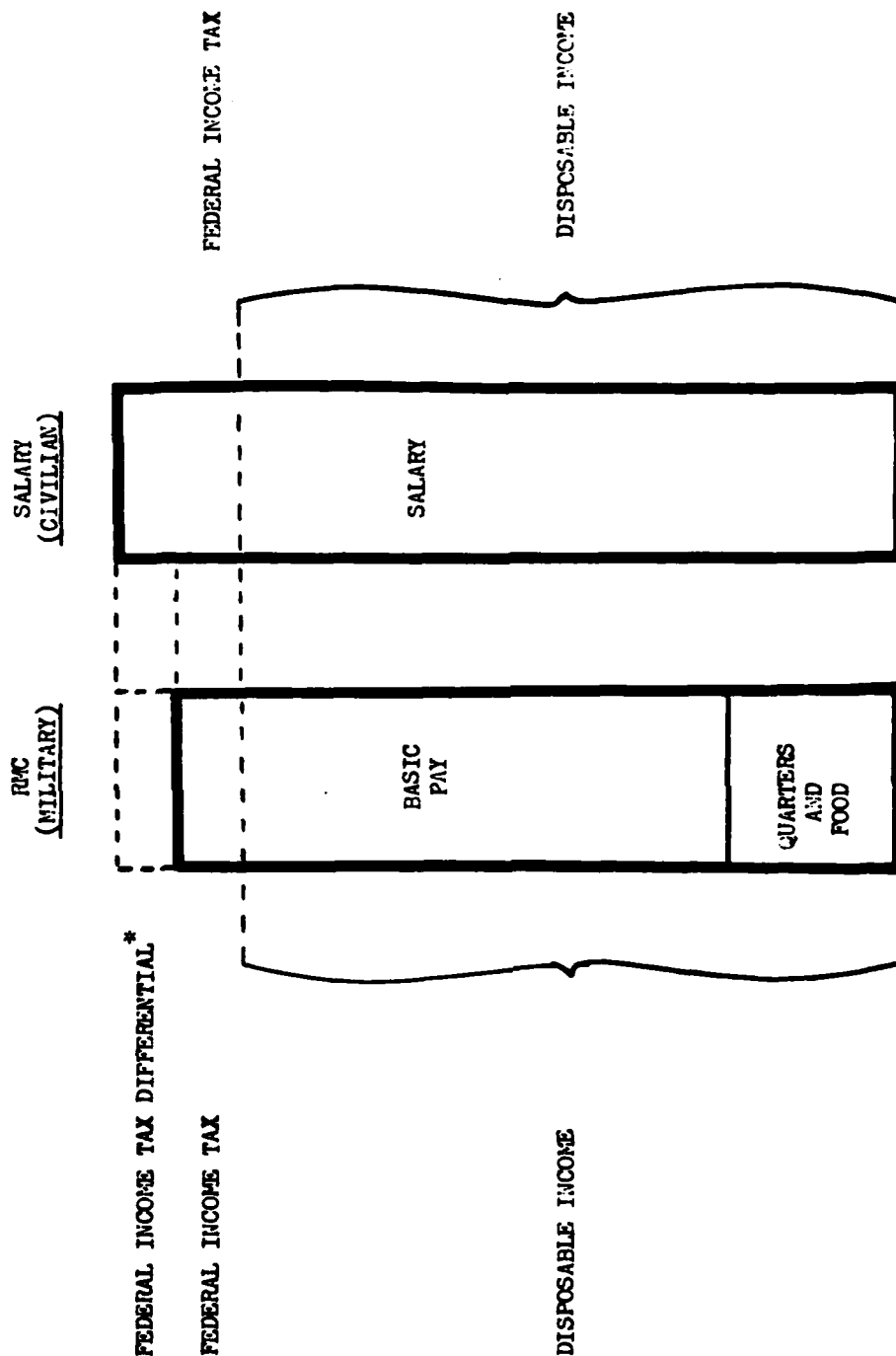
2. Military Quarters and Food.

Military quarters and food, and the cash payment for these items when they cannot be furnished in kind, are allowances. These allowances, as indicated above, are not considered as compensation within the meaning of the federal income tax laws.*

The nontaxable status of military quarters and food is the basis for a tax differential between the military and civilian sectors. The amount of this tax differential is that extra amount of cash income necessary to leave the military member with the same disposable income he now has, were his allowances for quarters and food to become subject to federal income tax. Figure 8-1, below, depicts the tax differential.

* See generally Jones v. U.S., 60 Ct. of Claims 552 et seq (1925).

Figure 8-1
THE FEDERAL TAX DIFFERENTIAL



* The Federal Income Tax Differential, one of the four explicit elements of Regular Military Compensation, is misleadingly termed "Federal Tax Advantage" in 37 U.S.C. 101 (25).

SOURCE: Figure 8-2

Calculation of the actual amount of the tax differential is derived by application of an iterative process based on the equation system shown in Figure 8-2, below. (See Appendix 8-A for the specific amounts, by pay grade).

The current law relating to the tax differential is an anomaly in that it uses the misnomer "tax advantage" to describe the tax differential.* While originally a tax advantage, the "advantage" no longer exists. It lost its "advantage" characteristic when (1) the tax differential was made an explicit element of Regular Military Compensation (RMC) and (2) RMC was used to compare the level of military compensation relative to the levels of salary in the federal civil service and private sectors. Today, when military compensation and civilian compensation are compared, the tax differential is fully considered and "discounted" in establishing the level of military pay. The term "tax advantage" is, accordingly, inappropriate and misleading. The proper term is "tax differential."

3. Pragmatic Loss of Tax Advantage of Home Ownership.

There are at least three significant federal income tax benefits associated with home ownership. They are:

a. The mortgage interest and property taxes on the home are deductible on individuals' federal income tax returns. These expenses of home ownership comprise the major source of itemized tax deductions.

b. To the degree that homes have shown year-to-year increases in market prices, the profits received, upon sale of a home, are not considered as ordinary income. They are taxable only at the lower long-term "capital gains" rate.

c. Persons who realize a profit on sale of a home may avoid paying all taxes by investing the proceeds in a new home within the stipulated time limitation.

The great majority of military personnel** are pragmatically denied the tax advantages of home ownership by both the requirement for frequent involuntary relocations and the requirement for occupancy of Government quarters when available. Moreover, the few

* 37 U.S.C. 101(25) defines Regular Military Compensation (RMC) as the sum of basic pay, quarters, subsistence (i.e., food), and tax advantage (i.e., tax differential).

** Recent surveys show that less than 10 percent of Army personnel own their homes.

Figure 8-2
THE FEDERAL TAX DIFFERENTIAL
(ALGEBRAIC FORM)

Equation System

1. $BP + Q + F = CP$
2. $CP - T(BP) = DI$
3. $DI = S - T(S)$
4. $T(S) + DI = S$
5. $S - CP = TD$

^aKey: BP = basic pay; Q = quarters; F = food (subsistence);
CP = cash pay; T(BP) = taxes on basic pay; DI = disposable income;
S = salary; T(S) = taxes on salary; TD = tax differential

SOURCE: US Army Military Compensation Task Force, The Pentagon,
Washington, D. C.

military home owners must frequently dispose of their homes at times not of their own choosing and often on very short notice. These "forced sale" conditions typically result in a financial penalty to the military member.

The extent of the impediments to home ownership by the military member is best illustrated by comparison with his civil service counterpart. The civil servant relocates only infrequently, and then almost always at his own choosing. On those relatively rare occasions when he does relocate, he is reimbursed for the expenses of sale of his real estate, as well as any losses, within stipulated limitations. By way of contrast, the military member is accorded no such financial protection.*

4. Conclusions.

a. A tax differential accrues from the fact that allowances for military quarters and food are not subject to federal income tax. The amount of this differential is the extra amount of cash income the military member would have to receive, if quarters and food were taxable, to leave him the same disposable income he now receives.

b. This tax differential is mislabeled a "tax advantage," since it is an explicit element of Regular Military Compensation and therefore not an "advantage" to him at all.

c. The great majority of military personnel are pragmatically denied the tax advantages of home ownership.

5. Recommendation.

The misnomer "tax advantage," which appears in 37 U.S.C. 101(25) should be changed to read "tax differential."

* For the difference between military and civilian travel entitlements upon a permanent change of station, see Volume One and Volume Two, respectively, Joint Travel Regulations.

CHAPTER 9

SPECIAL PAYS AND ALLOWANCES¹

*"A soldier has a hard life
and but little consideration."*

- Robert E. Lee, 1855
Letter to his wife

1. Introduction.

Special pays and allowances either in cash or in kind are paid to selected military personnel at selected places and/or at selected times while basic pay and allowances, as indicated above, are paid either in cash or in kind to all military personnel at all times and all places during their careers.

Special pays and allowances are respectively compensation and reimbursements "over and above" basic pays and allowances. Special pays function as incentives to attract, motivate and retain military members in specific positions at specific places and times. Demolition pay, selective reenlistment bonuses and aviation career incentive pay are typical special pays.

Special allowances function as reimbursements for mission-related expenses incurred under specified conditions of military service. Military members are generally not continuously subjected to such conditions of service. Cost of living allowance, transportation allowance, and family separation allowance are typical special allowances.

As selective means, both special pays and special allowances are managed so as to accomplish their respective purposes at the least possible expense to the Nation.

2. Discussion.

a. Special Pays.

Special pays are "the competitive element" in the military pay system. They are "extra" pays provided to induce personnel to volunteer for service in certain skills, at certain places, and/or at certain times. These pays are a useful means to ensure that required unit personnel levels are obtained and retained and,

accordingly, to support the achievement and maintenance of a mission-ready force.

Special pays apply to members in shortage skill areas and/or skill areas that have high training costs and are intended to induce retention of trained personnel in these areas. When retention rates are improved, the costs associated with training new personnel as replacements for non-retained personnel are avoided. To be cost effective, the costs of retention pays are generally less than the costs of replacement training.

Figure 9-1 depicts the five groups of Special Pays.

Officer professional pays are an incentive to induce selected officers to volunteer for service in various professional career fields. Continuation Pay for Physicians and Dentists, for example, is provided as an incentive to induce selected medical officers to voluntarily extend their tours of active duty in the medical and dental corps. Enlisted professional pays which apply exclusively to enlisted members, serve essentially the same function as do officer professional pays.

Hazardous duty and hardship duty pays provide an incentive to induce members to volunteer for and to perform duties involving hazards and/or hardships. Demolition Duty Pay, for instance, induces military members to perform duties involving the detection rendering safe, and disposal of live explosive ordnance.

Merit pays serve as an incentive to induce members to undertake positions of unusual proficiency and/or unusual responsibility. For example, Responsibility Pay is an incentive to induce officers to undertake positions of unusual and critical responsibility relative to the success of a military program.

Figure 9-2 through Figure 9-6, below, describe each of the U.S. Army Special Pays. Additional information can be obtained if desired from the cited legal authorities.

b. Special Allowances.

Special allowances, as mentioned above, are generally paid in order to reimburse members for mission-related costs, that is, costs incurred under circumstances which result from the execution of approved military orders. By analogy to the relationship between special and basic pays, special allowances are allowances which are "over and above" the normal basic allowances. The costs of these allowances represent Government costs of doing business and do not represent compensation to military members.

Figure 9-7 shows the three groups of special allowances.

Figure 9-1

SPECIAL PAYS

<u>Officer^a Professional Pays</u>	<u>Enlisted^b Professional Pays</u>	<u>Hazardous Duty Pays^{b,c}</u>	<u>Hardship Duty Pay^b</u>	<u>Merit Pays^{a,b}</u>
Variable Incentive Pay for Medical Officers	Enlistment Bonus	^c Flight Pay (Non-Crew Members)	Duty at Certain Places Pay	Responsibility Pay ^a
Special Pay for Physicians, Dentists, Veterinarians and Optometrists	Regular Reenlistment Bonus	^b Flight Pay (Crew Members)		Proficiency Pay ^b
	Variable Reenlistment Bonus	Demolition Duty Pay ^c		
Continuation Pay for Physicians and Dentists	Selective Reenlistment Bonus	Diving Duty Pay ^c		
		Parachute Jumping ^c Duty Pay		
Aviation Career Incentive Pay		Hostile Fire Pay ^c		

a) Officer Special Pays

b) Enlisted Special Pays

c) Officer and Enlisted Special Pays

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, D.C.

Figure 9-2
SPECIAL PAYS: OFFICER PROFESSIONAL PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Variable Incentive Pay for Medical Officers	To provide a variable incentive to induce military members to volunteer for and to serve in a highly qualified manner in the medical corps. This pay authorizes the payment to qualified medical officers below the pay grade of O-7 who are not undergoing intern or residency training or serving an initial active duty obligation of a bonus of a certain amount per year. This bonus is intended to make the compensation levels of these military physicians more comparable with that of their civilian counterparts.	37 USC 313
Special Pay for Physicians, Dentists, Veterinarians and Optometrists	To provide an incentive to induce military members to volunteer for and to serve in the medical corps. The pay assists in making the compensation levels of military physicians and their civilian counterparts more comparable. In addition, the pay assists in enabling the military to compete for scarce medical personnel.	37 USC 302, 302a, 302b and 303.
Continuation Pay for Physicians and Dentists	To provide an incentive to induce medical officers to voluntarily extend their tours of duty in the medical corps. The pay is a retention incentive established for the purpose of retaining on active duty selected career physicians above the grade of O-6, certain officers in their initial residency, and dentists who are in a designated critical specialty category. A critical specialty category is defined to mean a category of medical or dental officers in which the supply of qualified personnel has been or is projected to be inadequate to meet approved service requirements.	37 USC 311

Figure 9-2 cont.

SPECIAL PAYS: OFFICER PROFESSIONAL PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Aviation Career Incentive Pay	To provide an incentive to induce officer military members to volunteer for and to serve in a military aviation career. The rates of this pay are based on years of aviation service regardless of grade, rather than total military service. Higher rates are established for the years immediately following the completion of the first obligated tour of service, which coincides with flight intensive periods of military service. Lower rates are established for the less flight intensive years based on years of officer service with a complete abolition of all rates after 25 years of officer service. ^a A new set of operational flying times has also been established as a standard for the purpose of entitlement to continuous pay.	37 USC 301a

^a The 25 year cut off is not applicable to warrant officers.

SOURCE: U.S. Army Military Compensation Task.Force, The Pentagon, Washington, D.C.

Figure 9-3
SPECIAL PAYS: ENLISTED PROFESSIONAL PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Enlistment Bonus	To provide an incentive to induce persons to volunteer for and to serve in military skills that are in critical supply. The amount was limited to an amount not greater than \$3000 to members who enlisted for 3 or more years in a combat element of the force. The combat arms limitation has been removed and a bonus may be paid to members who enlist for 4 years or more in any skill designated as critical or who extend their initial period of active duty in such a critical skill to a total of at least 4 years.	37 USC 308a
Regular Reenlistment Bonus	To provide an incentive to induce military members to re-enlist in military skills which have high training costs and which are in critical supply. The bonus is based upon the number of years to be served and the amount is increased in proportion to the length of the reenlistment period. A career dollar and number limit on bonuses was also established. This bonus is paid to any enlisted member accepted for reenlistment regardless of the criticality of his skill. The bonus is gradually being eliminated.	37 USC 308
Variable Reenlistment Bonus	To provide an incentive to induce first term members in technical, high training investment and critical shortage skills to reenlist. The bonus was tailored to fit particular skill retention requirements and changed as the requirements changed. Members received the VRB in addition to their regular reenlistment bonus up to the total bonus amount ceiling. This bonus is gradually being eliminated.	37 USC 308

Figure 9-3 cont.
SPECIAL PAYS: ENLISTED PROFESSIONAL PAYS

PAY

Selective Reenlistment
 Bonus

PURPOSE AND DESCRIPTION OF THE PAY

To provide an incentive to induce military members to re-enlist in military skills which have high training costs and which are in critical supply. The bonus may be paid to a member who has completed at least 21 months but not greater than 10 years of active duty, who is designated as having a critical skill, and who reenlists or extends his or her enlistment for at least 3 years.

LEGAL AUTHORITY

37 USC 308

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, D.C.

Figure 9-4
SPECIAL PAYS: HAZARDOUS DUTY PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Flight Pay (Non-crew members)	To provide an incentive to induce military members to volunteer for and to perform certain aviation duties. The pay is structured as a compensation incentive for exposure to hazardous conditions.	37 USC 301(a) and 301(c)
Flight Pay (Crew Members)	To provide an incentive to induce enlisted members to volunteer for and to perform certain aviation duties. The pay is structured as a compensation incentive for exposure to hazardous conditions.	37 USC 301(a) and 301(b)
Demolition Duty Pay	To provide an incentive to induce military members to volunteer for and to undertake duties involving the detection, rendering safe and disposal of live explosive ordnance. The pay is also structured as compensation for exposure to and control of hazardous conditions.	37 USC 301(a) and 301(c)
Diving Duty Pay	To provide an incentive to induce military members to volunteer for and to perform diving duties. The pay is also structured as compensation for exposure to and control of hazardous conditions.	37 USC 304
Parachute Jumping Duty Pay	To provide an incentive to induce military members to volunteer for and to perform parachute jumping duties. The pay is also structured as compensation for exposure to hazardous conditions.	37 USC 301(a) and 301(c)

Figure 9-4 cont.
SPECIAL PAYS: HAZARDOUS DUTY PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Hostile Fire Pay	To provide compensation additional to normal compensation as a special recognition to military personnel serving in designated areas who undergo the hazards and hardships of being potentially and/or actually subject to hostile fire and to military personnel serving on a vessel, aircraft, or in a unit that engages in hostile action outside a designated hostile fire area. The special recognition represented by this pay assists in motivating members who are not necessarily volunteers for the type of duties which they perform in these high risk areas.	37 USC 310

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

Figure 9-5

SPECIAL PAYS: HARSHIP DUTY PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Duty At Certain Places Pay	To provide compensation additional to normal compensation as a special recognition to military personnel serving in a designated location which imposes greater hardships than normal. The special recognition represented by this pay assists in motivating members who are performing duties in places where greater than normal hardship conditions exist.	37 USC 305

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, D.C.

Figure 9-6
SPECIAL PAYS: MERIT PAYS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE PAY</u>	<u>LEGAL AUTHORITY</u>
Responsibility Pay	To provide an incentive to induce officers to volunteer to undertake positions of unusual responsibility and of a critical nature. This pay is permissively authorized for officers and is analogous to enlisted proficiency pay.	37 USC 306
Proficiency Pay	To provide an incentive to induce enlisted military members to reenlist in critical skills as determined by DOD and to stimulate outstanding performance on the part of enlisted members. Shortage specialty pay was designated as an attraction and retention device for shortage category enlisted skills, particularly those where long and expensive training is required. The superior duty performance pay was awarded on a competitive basis. The special duty assignment pay was used to induce personnel to volunteer for certain special duty assignments outside their normal career field.	37 USC 307

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

Figure 9-7
SPECIAL ALLOWANCES^a

<u>TRAVEL AND TRANSPORTATION COSTS</u>	<u>FOOD AND QUARTERS COSTS</u>	<u>FAMILY SEPARATION COSTS</u>
Dislocation Allowance	Per Diem Allowance	Family Separation-Type I
Transportation In Kind	Cost of Living Allowance	Family Separation-Type II
Transportation Allowance	Temporary Lodging Facilities In Kind	
Transportation of Household Goods Allowance	Temporary Lodging Allowance	
Transportation of Privately Owned Motor Vehicle	Interim Housing Allowance	
Trailer Allowance	Overseas Housing Allowance	

a. Special allowances apply to both Officer and Enlisted Personnel: except that certain Junior Enlisted Personnel are not eligible for all the special allowances.

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, D.C.

Travel and transportation costs are reimbursements for moving expenses. Food and quarters costs are reimbursements for living expenses. Family separation allowances are reimbursements provided to members to defray living expenses when members are involuntarily separated from their families.

Figure 9-8 through Figure 9-10, below, describe each of the U.S. Army Special Allowances.

3. Conclusion.

The above figures and discussion briefly describe the nature and scope of the military special pays and allowances system. Additional information if desired can be obtained from the cited legal authorities.

Figure 9-8

SPECIAL ALLOWANCES: TRAVEL AND TRANSPORTATION COSTS

<u>ALLOWANCE</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
Dislocation Allowance	To provide an allowance to partially reimburse a member for expenses incurred in relocating his or her household on a permanent change of station or incident to an evacuation. The allowance reimburses the member for average expenses just prior to departing an old station and just after reestablishing at a new station that are incurred by the member for the movement of the member and his or her family.	37 USC 407, 405a and 1006(g)
Transportation In Kind	Transportation in kind may be provided to the member in order to move the member from his present location to a location specified in approved orders.	Joint Travel Regulations
Transportation Allowance	To provide an allowance to military members to reimburse the members for the cost of transportation to move themselves and their dependents from their present location to a location specified in approved orders. The allowance may take the form of a transportation request, which is a statement of obligation provided by the government to a common carrier to enable the carrier to charge the government for transportation provided, a reimbursement for actual cost of the transportation, or a reimbursement per mile for the official distance of the ordered travel.	Joint Travel Regulations
Transportation of Household Goods Allowance	To authorize members to transport their household goods from their present location to a location specified in approved orders. Members are authorized weight	Joint Travel Regulations

Figure 9-8 cont.

SPECIAL ALLOWANCES: TRAVEL AND TRANSPORTATION COSTS

<u>ALLOWANCE</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
	allowances which increase proportionally by pay grade. Members are also authorized to store household goods under specified circumstances. Transportation is normally procured by the government.	
Transportation of Privately Owned Motor Vehicle	To authorize the member to transport one privately owned vehicle when making a permanent change of station to, from, or between places outside the US or upon official change in home port of the vessel to which assigned. Transportation is normally procured by the government.	Joint Travel Regulations
Trailer Allowance	To provide an allowance to reimburse the military member for the costs associated with the transportation of a house trailer within the U.S., within Alaska, and between the U.S. and Alaska when the trailer is to be used as a residence.	Joint Travel Regulations

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

Figure 9-9
SPECIAL ALLOWANCE: FOOD AND QUARTERS COSTS

<u>ALLOWANCE</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
Per Diem Allowance	To provide an allowance to reimburse a member who is required to procure meals or quarters or both from commercial or nonappropriated fund sources, or to use government quarters and pay a service charge while traveling under temporary duty conditions.	Joint Travel Regulations
Cost of Living Allowance	To provide an allowance to reimburse military personnel stationed overseas for the relative difference between their living costs, other than housing costs, and similar living costs of members stationed in the U.S. The amount of the cost of living allowance is derived by comparison of the average costs of living, other than housing costs, in each area outside the U.S., with the average cost of living, other than housing costs, for similar members in the U.S.	37 USC 405
Temporary Lodging Facilities (TLF) - in Kind	To provide in kind facilities to reduce hardships or inconveniences which might otherwise impact on military personnel if such facilities were not available. TLFs are interim housing facilities to provide short term temporary housing accommodations for occupancy by military members, their dependents, families and guests for which a nominal cash charge is levied. The member continues to be entitled to a BAQ even though he or she is occupying TLFs. The heavy concentration of temporary lodging facilities in CONUS is the primary reason that temporary lodging allowances are not paid in CONUS.	DOD Directive 4165.55

Figure 9-9 cont.
SPECIAL ALLOWANCES: FOOD AND QUARTERS COSTS

<u>ALLOWANCE</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
Temporary Lodging Allowance	To provide an allowance to partially reimburse a member for the more than normal expenses incurred at hotels or hotel like accommodations and public restaurants or at hotel like accommodations when use of public restaurants is not required. The allowance is authorized while the member is awaiting permanent housing overseas, while awaiting transportation from an overseas station after vacating permanent quarters or when it has become necessary to vacate permanent quarters overseas and the member uses hotel or hotel like accommodations while seeking new permanent quarters. Payment is based on the per diem rates applicable in the area of assignment and varies depending on the number of persons in the family required to use the specified facilities.	37 USC 405
Interim Housing Allowance	To provide an allowance to reimburse military personnel stationed overseas when the member is required to and does procure non-government family type housing prior to arrival of dependents. The member will be entitled housing allowances as a member with dependents for a period commencing on the date of procurement of such housing and terminating sixty (60) days thereafter or on the day prior to the day of arrival of dependents in the vicinity of the members permanent duty station, whichever occurs first.	Joint Travel Regulations
Overseas Housing Allowance	To provide an allowance to reimburse military personnel stationed overseas for the relative difference between	37 USC 405

Figure 9-9 cont.

SPECIAL ALLOWANCES: FOOD AND QUARTERS COSTS

<u>ALLOWANCE</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
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	<p>their housing costs and similar housing costs of members stationed in the U.S. The amount of the housing allowance is derived by comparison of the average costs of housing in each area outside the U.S. with the average costs of housing for similar members in the U.S. The allowance is paid to members on permanent duty at places outside the United States and the rates are based upon whether members are with or without dependents.</p>	
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SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

Figure 9-10
SPECIAL ALLOWANCES: FAMILY SEPARATION COSTS

<u>PAY</u>	<u>PURPOSE AND DESCRIPTION OF THE ALLOWANCE</u>	<u>LEGAL AUTHORITY</u>
Family Separation Allowance - Type I (FSA-I)	To provide an allowance to reimburse members who must maintain a home in the U.S. for their dependents and another home overseas for themselves for the average expenses of maintaining the overseas home. FSA-I is equal to the monthly "without dependents" BAQ for the member's grade and the member is only entitled to this allowance when bachelor quarters are not available for assignment to him.	37 USC 427
Family Separation Allowance - Type II (FSA-II)	To provide an allowance to reimburse members involuntarily separated from their dependents for the average expenses that result from such separation. Such expenses could include pay for maintenance and repair of automobiles, appliances, home and yard. Other expenses could include babysitting costs, laundry and dry cleaning costs, postal costs and telephone costs. The separation period must be greater than 30 days.	37 USC 427

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, D.C.

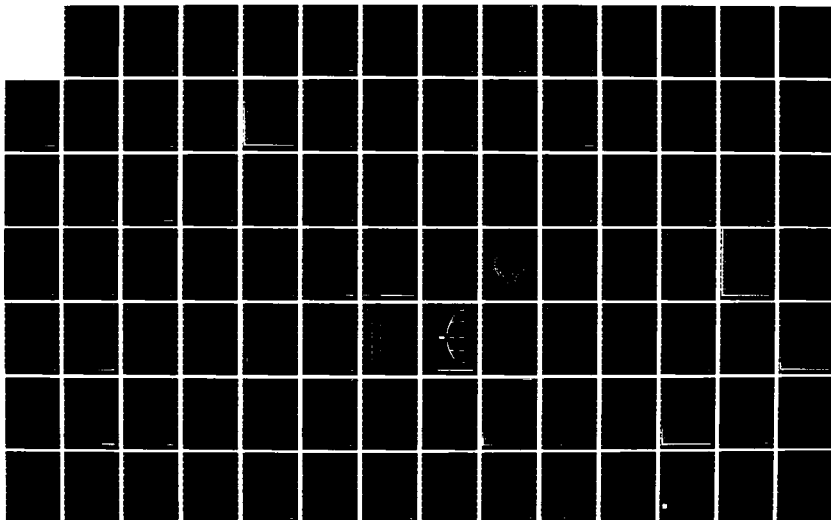
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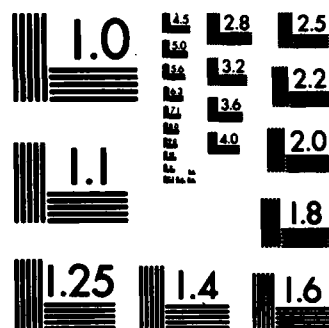
MILITARY COMPENSATION: PAST PRESENT AND FUTURE VOLUME 1 2/3
EXECUTIVE SUMMARY (U) DEPUTY CHIEF OF STAFF FOR
PERSONNEL (ARMY) WASHINGTON DC W S HOLLIS ET AL. 1976

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CHAPTER 10

MODERNIZING THE PAY AND ALLOWANCES SYSTEM

"He who moves not forward goes backward."

- Johann Wolfgang Goethe, 1796

1. Introduction.

Most fundamentally sound management systems require some adjustments over a period of time, in order to stay current with changes in technology and the environment in which they operate. The pay and allowances system is no exception to this principle.

There are two aspects of the pay and allowances system that need to be adjusted, in order that it retain maximum effectiveness for today's Army. They are:

- Improving the "visibility" of pay to the member and others.
- Achieving and maintaining an "ideal" balance between basic pay and the allowances for quarters and food (subsistence).

Each of the aforescribed two areas of improvement are considered below.

2. Improving Pay Visibility.

a. Historical Background.

In 1967, the First Quadrennial Review of Military Compensation (Hubbell Commission) concluded generally that most service members and various nonmilitary activities (such as lenders) underestimated the true value of military compensation. They concluded specifically that in-kind quarters and food, and the tax differential, are ignored or undervalued, inasmuch as the recipients do not see these items listed as elements of their compensation on their pay vouchers.¹

In 1975, the Comptroller General concluded that military members substantially underrate the value of their Regular Military Compensation.² Referring to the findings in this Comptroller General report, the Senate Committee on Appropriations concluded the following:

"The Committee will follow with interest any system modernization proposals arising from the current Quadrennial Review of Military Compensation . . . and other independent studies on the matter."³

b. Gross Military Earnings: The Conceptual Basis of Pay Visibility.

The first step in the methodology to achieve pay visibility is to establish a conceptual basis -- that is, to define those pays and allowances which, in toto, equate to the military equivalent of gross wages or earnings. This total, designated as Gross Military Earnings (GME), must be made fully visible to each military member.

Regular Military Compensation (RMC)* -- the total of basic pay, the allowances for quarters and food, and the tax differential -- comprises those "salary-type" elements to which all military members are entitled. RMC is the proper basis for aggregate compensation comparisons -- e.g., the RMC of military captains, as a group, should be compared with the salaries of their civil service and private sector counterparts.

Gross Military Earnings (GME) is the proper basis for highlighting the unique gross pay of each individual military member. GME is the sum of a military member's RMC plus those special pays, if any, to which that member is entitled.

The distinction between GME and RMC is illustrated by the following examples.

-- Captain Jones, an Infantry officer, receives no special pays. Therefore, Captain Jones' GME is the same as his RMC.

-- Captain Smith, a Medical Corps officer, receives special medical pay in addition to his RMC. This special medical pay should be "counted" as part of Captain Smith's earnings when he is comparing his recompense with the salaries of civilian physicians. Accordingly, the special medical pay is properly a part of Captain Smith's GME.

* See the discussion concerning RMC in Chapter 3.

c. Methodology to Provide Visibility to Gross Military Earnings.

The keystone to making gross earnings visible to the individual -- whether that individual is a civilian employee or a military member -- is his pay voucher or statement. The pay voucher is the primary vehicle to provide each individual with a regular, periodic accounting for the various elements of his pay.

Civilian pay vouchers furnish the civilian employee with a recapitulation of his gross earnings. By way of contrast, the military pay voucher -- called "Leave and Earnings Statement" (LES) -- does not present the military member with this essential pay information. In summary, the present military LES does not provide an accounting of Gross Military Earnings (GME) to tell the military member the amount he earns.

A revision of the current military LES is needed, to provide each service member with a monthly recapitulation of all applicable elements of his Gross Military Earnings (GME). The following compensation elements, which are omitted from the present LES, must be included.

- in-kind quarters, if applicable
- in-kind food, if applicable
- tax differential

Computation of each member's GME on his monthly LES is readily feasible with existing computer hardware. Each of the Armed Services computes the pay of its personnel by a centrally-automated system, known as the Joint Uniform Military Pay System (JUMPS). Calculation of GME may be implemented by modifications to the existing JUMPS programs.

Figure 10-1, below, is a concept for a modernized LES, which provides visibility to Gross Military Earnings (GME).

3. Adjusting Quarters and Food Allowances.

a. Historical Background.

In 1967, legislation was passed which specified that, although military pay raises were to be based on the four elements comprising Regular Military Compensation (RMC), the entire pay raise was to be placed into only one element -- basic pay. As a result, for several years quarters and food allowances were held constant, and basic pay was increased disproportionately by the percentage necessary to absorb the implicit increase in the other RMC elements. Public Law 90-207 (1967).

CONCEPT FOR A NEW MILITARY LEAVE AND EARNINGS STATEMENT

JUMPS - ARMY

COPY 1 - MEMBER

PROPOSED – FOR STUDY PURPOSES ONLY

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In 1974, the formula for distributing military pay raises was changed to provide that all three cash elements of RMC -- i.e., basic pay, quarters allowance, and food allowance -- be increased. However, the law did not correct the disparity that then existed, as a result of the previous 1967 formula, between the allowances for quarters and food and the expenses they were intended to defray. Public Law 93-419 (1974).

b. Current Status.

As a result of the pay raise formulas in the laws, above, certain inequities have developed between persons living on post and persons living off post. For example, married service members living in civilian housing receive a cash quarters allowance which is generally inadequate to meet their rental expenses. Alternatively, the quarters allowance forfeited by married members living on post is usually less than the cost of operating Government family housing. Similarly, the cash food allowance rates no longer equal the raw food cost of meals in a Government dining facility.

The impact of the aforescribed pay raise formulas on basic pay is also notable. Increasing basic pay disproportionately in order to absorb the entire RMC increase resulted in a corresponding disproportionate increase in items linked to basic pay, most notably retired pay.

c. Adjustments Required.

Achieving the ideal balance between the elements of RMC requires that the following adjustments be made to the rates of quarters allowance, food allowance, and basic pay, respectively.

(1) Quarters Allowance. Basic allowance for quarters (BAQ) rates should be set on a standard to produce cash allowances based on the Government cost of providing quarters in kind. Such rates would be a reasonable surrogate for expenses incurred by married members living on the civilian economy; however, rates based on the Government costs of single quarters would not be sufficient for single members to defray the cost of housing in the private sector. Therefore, the cash BAQ rates for members without dependents should be set on the basis of an indexed relationship to the rates for members with dependents. The present relationships between the with and without dependents BAQ rates are satisfactory. In order to avoid penalizing single members who occupy quarters in kind, forfeiture of BAQ for the occupancy of such housing should be based on the Government

costs of providing single quarters, with the difference between that rate and the without dependents cash BAQ rate rebated to the member.

For more detailed information see Chapter 6.

(2) Food Allowance. The present dual cash food allowance rates for officers and enlisted personnel should be equalized. The new single rate should be established on the basis of the Government costs of raw food in military dining facilities, and periodically adjusted.

For more detailed information, see Chapter 5.

(3) Basic Pay. The rate of basic pay should be established through a process of comparability with the federal civil service, on one of the following bases:

(a) Total Compensation Comparability. The feasibility of utilizing total compensation as the basis for comparison depends on the "state of the art" capability of determining the precise compensation costs of various benefits. An appropriate approach is to compare military RMC plus the major military benefits and civil service salary plus the equivalent major civil service benefits.

If comparison is made on this basis, total military compensation should be established by (1) determining the level needed to achieve comparability with total civil service compensation and (2) then adding an increment to compensate for the military conditions of service (Chapter 19).

After establishing the proper level of total military compensation, as described above, the level of basic pay is derived. It is a residual derivative of the other elements in the compensation base (i.e., benefits and the other three elements of RMC).

(b) RMC/Salary Comparability. Until it is feasible to utilize total compensation for comparison of military and civil service recompense, basic pay should be set on a standard to achieve comparability of military RMC with civil service salaries. The following process is appropriate.

-- First, identify the proper dollar level for Regular Military Compensation (RMC) on the basis of (1) determining the level needed to achieve comparability with civil service salaries and (2) then adding an increment to compensate for military conditions of service (Chapter 19).

-- Second, establish quarters and food allowance rates based on the standards described in paragraphs 3c(1) and 3c(2), above.

-- Third, derive the rate of basic pay, based on the preceding two steps. Basic pay is a residual derivative of total RMC less the three other elements of RMC.

4. Conclusions.

a. For maximum effectiveness in today's environment, the current military pay and allowances system should be modernized to (1) improve pay visibility and (2) achieve an ideal balance between the elements which make up Regular Military Compensation.

b. The conceptual basis for pay visibility within the pay and allowances system is Gross Military Earnings (GME). GME is the unique earnings total of each individual military member, and consists of the sum of his Regular Military Compensation plus special pays, if any, to which that individual is entitled.

c. The primary vehicle to make GME visible to the service member is his Leave and Earnings Statement (LES). Action is needed to revise the LES form and modify each Service's centrally-computerized pay computation program, in order to provide each member with a monthly recapitulation of his GME.

d. The present allowances for quarters and food bear no relation to the expenses they are intended to defray, and should be adjusted on the basis of Government costs, as described in paragraphs 3c(1) and (2) above.

e. Rate of basic pay should be set as described in paragraph 3c(3) above.

5. Recommendations. It is recommended that:

a. Action be taken to provide visibility of each military member's Gross Military Earnings (GME) on his Leave and Earnings Statements (LES's).

b. Figure 10-1 be used as a conceptual basis for revising the LES form.

c. The cash allowance rates for quarters and food, and the basic pay rate, be established as described above.

CHAPTER 11

ALTERNATIVE MILITARY COMPENSATION SYSTEMS

"...the Army is a way of life, based on service to our Nation, not just a working place.... It is not an easy or a certain way of life, and its compensation should not be measured by the standards of civilian life--normally just pay alone."

- Fred C. Weyand, 1976
General
Chief of Staff
United States Army

1. Introduction.

The preceding Chapters 3 through 10 have presented a description and analysis of the military pay and allowances system. A possible alternative to pay and allowances is the military salary system.

This chapter compares these two alternative military compensation systems--pay and allowances versus salary. The objective is to determine which system is better for the Army ... for the Armed Services as a whole ... and for the Nation.

To provide a basis for the subsequent analysis, this chapter first describes the military salary system. This system is then compared with the modernized or "ideal" pay and allowances system, as described in Chapter 10, above. The comparison of the two systems is organized into the following major categories:

- Relative economic costs
- Relative equity/inequity
- Relative efficiency
- Relative visibility of pay
- Relative effectiveness in supporting the mission of the Armed Forces.

2. Description of The Military Salary System.

The salary system, as utilized by private enterprise and the Government civil service, is a payment system based solely on time worked, work performed, or services rendered;* it does not provide for "need" factors, such as marital status or family size. The proposed military salary system is an application of the civilian salary system to the military sector.

The proposed military salary system envisages the conversion of the four elements of Regular Military Compensation (basic pay, quarters, food, and tax differential) into a single, fully-taxable military salary. A change to a military salary system would not per se affect special pays and allowances (see Chapter 9) and military benefits. Changes in these components, if desired, could be made separately and irrespective of whether there is a salary or a pay and allowances system.

The four elements of Regular Military Compensation, if converted into a military "salary," would all acquire the characteristics of current basic pay. The food and quarters elements would lose their unique identity as allowances (see Chapters 5 and 6), and additional Government funding would be required to replace the tax differential element. The "shortfall" in funding the full amount of the tax differential, if any, would constitute an explicit cut in military pay.

The military salary system, as described in the foregoing, is compared with the modernized pay and allowances system in Figure 11-1, below. The succeeding paragraphs discuss each basis on which comparison is made.

3. Relative Economic Costs.

A cost analysis of the two alternative military compensation systems shows that the salary system is inherently much more expensive than the pay and allowances system. These added costs of the salary proposal are categorized as (1) continuing (recurring) costs and (2) saved pay costs.

The major sources of increased personnel costs of a continuing nature that would be generated by the military salary system are:

-- Funding the federal income tax differential. The DoD personnel budget would be increased and the service member would,

* The Civil Service Commission and the Bureau of Labor Statistics generally define salary as straight time pay for time worked. (See the National Survey of Professional, Administrative, Technical, and Clerical Pay, the so-called "PATC" Survey).

Figure 11-1
COMPARISON OF ALTERNATIVE MILITARY COMPENSATION SYSTEMS

	COMPARISON BASES	MODERNIZED PAY & ALLOWANCES	MILITARY SALARY
A. Economic Costs	Economical at Present Force Levels?	Yes	No--Several Billion Dollars Added Annual Costs
	Economical during Mobilizations?	Yes	No--Prohibitively Expensive
B. Equity/ Inequity	Provides Compensation for Services Rendered?	Yes (Basic Pay)	Yes (Salary)
	Provides Partial Recognition of Needs of Military Family?	Yes	No
	Flexibility to Focus Elements of Compensation Selectivity?	Full Capability	Limited Capability
C. Efficiency	Attracts Disproportionately Many Personnel With Large Families?	No	Unknown
	Provides Visibility of Earnings (Wage/Salary or Equivalent)?	Full Visibility	Full Visibility
D. Pay Visibility	Enhances Fusion of Individual Soldiers Into a Group-Oriented Army Community?	Yes	No
E. Mission Effectiveness			

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D.C.

in effect, become a conduit, receiving extra money on the one hand and remitting it to the tax collector on the other.

-- Funding increased Government contributions to individuals' social security accounts. The DoD matches the members' contributions, which are presently based on basic pay only. On conversion, the full salary would be subject to FICA tax. The increased costs to DoD are also added costs to the federal Government.

-- Funding the loss of the various economies inherent in the present food (subsistence) and quarters allowances. For example, single enlisted members presently authorized food in kind (in lieu of the cash food allowance) typically elect to "skip" some meals in military dining facilities. Under the salary proposal, they would be paid an implicit cash food allowance for such skipped meals, resulting in increased costs to both DoD and the federal Government.

Implementation of the military salary proposal would increase the DoD personnel budget and federal Government expenditures with no increase in effectiveness. The recurring added costs to DoD, at normal peacetime force levels would total several billion dollars annually. A detailed analysis of the added costs of the military salary system is provided at Appendix 11-A.

In addition to the aforescribed higher continuing annual costs, the salary proposal would further generate several hundred million dollars per year increased costs for "saved pay," for two or three years following conversion.

The increased costs of a military salary system, vis a vis the pay and allowances system, would be multiplied during a force build-up. The extent of these additional costs is a function not only of the increased force level, but is also further accentuated by the fact that a major portion of the augmentees would be junior enlisted personnel presently provided in-kind Government quarters and subsistence -- i.e., precisely the category of personnel for whom the inherent economies to the Government of pay and allowances are the greatest. Overall, the salary proposal would impose an immense added cost burden on the Nation during a partial or total mobilization.

4. Relative Equity/Inequity.

The principal equity issue is whether or not it is fair for the compensation system to recognize the different housing needs

of military members which stem from differences in their marital/family status. The pay and allowances system partially provides for differences in housing needs by (1) considering number of dependents as one factor in determining size authorizations for in-kind quarters and (2) establishing separate cash quarters allowance rates -- one for members with dependents and the other for members without dependents. (See Appendices 6-B, 6-C, and 6-D for details).

By way of contrast, the military salary proposal would not recognize differences in housing needs based on dependency status. The cash "salary" into which the quarters element would be subsumed would be based solely on grade and longevity. Military members living in Government quarters would be charged rent. The amount of such rent would vary with the size of the quarters.

The argument for the same cash and in-kind quarters rates for all members of a given paygrade, regardless of family/dependency status, is most often based on the principle of "equal pay for equal work," thus implicitly equating "pay" with Regular Military Compensation instead of the basic and special pays of military compensation. While useful as a mechanism for comparing military compensation with civilian salaries, RMC is not intended to be identical in all respects with a "salary."

The need for and equity inherent in the aforestated differential quarters rates is based in part on the unique requirements of military service, as follows:

(1) Military personnel are required to relocate frequently, both within the United States and to overseas locations. Unlike their civilian counterparts, soldiers are effectively denied the opportunity to establish and build equity in a family home in their hometowns or other place of selection. The transient nature of military service, as well as the location of some of their assignments (especially overseas areas), generally limits employment opportunities for their spouses and other family members, and thus reduces military family income. The quarters differential represents a partial recognition that these financial penalties of military service impact proportionately most heavily on members with dependents.

(2) The family is an integral part of the Army Community. In an environment of frequent moves and other hardships, the family has an especially significant role in retaining a stable and motivated career force. It is fundamental to recognize that the capability of the Army to perform its mission rests squarely on the total commitment of the soldier, to include sacrificing his life if necessary. This loyalty is nurtured by tangible concern for the needs of the soldier, as exemplified in the saying "the Army takes care of its own" -- and a vital aspect of concern for

the soldier is concern for the needs of his family.

It should be recognized that the aforescribed quarters differentials are not inherent in the pay and allowances system; rather, they have consciously and with intent been built into the system to recognize, in part, differences in housing needs. In summary, compensation equity in the military is premised on equality in basic pay between members of equal grade and longevity, with equity in quarters allowances based on both grade and needs of the individual service member. This principle is consistent with the unique conditions and requirements of military service, and can best be attained with the modernized pay and allowances system of compensation.

5. Relative Efficiency.

One dimension of efficiency is the degree to which the military compensation system is able to apply elements of compensation on a selective basis, where needed, rather applying them on an across-the-board basis. Under the pay and allowances system, rates for the various allowances can be adjusted individually and independently to the levels which best meet the needs of both the Services and individual military members. By way of contrast, the military salary proposal, by eliminating the quarters and food allowances with their well established functions, does not have a comparable degree of compensation flexibility. The military pay and allowances system is, derivatively, more efficient in this aspect than the military salary system.

Another efficiency issue concerns the assertions by some commentators that the pay and allowances system, together with the military benefits system, attracts and retains a disproportionately high percentage of married personnel in the military population vis a vis the civilian population and that married personnel are more costly than single personnel.

The assertions concerning relative marriage rates and family sizes have no foundation in fact. A comparative analysis of the source data on marital status and family size is attached at Appendix 11-B. The data shows that, in comparison with the overall U.S. population of comparable age and income levels, military personnel are less frequently married and have smaller size families.

6. Relative Visibility of Pay.

The issue of visibility of pay -- more specifically, the visibility of earnings (i.e., wages/salary or equivalent) -- is closely related to the pay efficiency issue. As noted in Chapter 10,

above, some commentators have concluded that many military members tend to undervalue their earnings received through the present pay and allowances system.

A comparison of the military salary system with the modernized pay and allowances system shows that both provide full visibility of pay on the service member's monthly Leave and Earnings Statements or by a separate periodic statement.

See Chapter 10 for additional information concerning pay visibility under the modernized pay and allowances system.

7. Relative Effectiveness in Supporting the Mission of the Armed Forces.

The effectiveness issue relates to the ultimate impact of the military compensation system on the capability of the Armed Forces to fulfill their basic mission of protecting and defending the Nation.

The effectiveness of the pay and allowances system, outlined in Chapter 3, above, is a known factor. The purposes of its in-kind and cash allowances for food and quarters are discussed in Chapters 5 and 6 respectively.

By way of contrast, the effectiveness of the military salary system is not known. The salary proposal replaces the present food and quarters subsystems with a solely pecuniary system. In so doing, it provides a disincentive to live and eat on post. It further changes the psychological orientation for members utilizing on-post quarters and dining facilities from "the Army takes care of its own" to that of the Army as a "landlord" or "restauranteur."

The essential role of on-post facilities in the unique fusion of individual soldiers into a group-oriented Army Community is discussed in Chapter 2. The salary proposal's overemphasis on money incentives is juxtaposed to the development of the group commitment required both for participation in battle and for maintenance of a high degree of combat readiness in peacetime.

8. Conclusions.

a. The military salary system is significantly more expensive than the military pay and allowances system. Personnel costs under the salary system would increase by several billion dollars annually during peacetime. The increased costs would be far greater still in the event of a mobilization.

b. The military pay and allowances system compensates for both services rendered and certain needs uniquely associated with military service. The military salary system recognizes only services rendered.

c. The military pay and allowances system has a greater inherent capability to focus elements of compensation on a selective basis, as needed, and is therefore more efficient than the military salary system.

d. Under the current military compensation structure (pay and allowances system and benefits), the military marriage rate and average family size are less than those of the comparable civilian population.

e. The modernized pay and allowances system and the salary system both provide complete visibility of pay.

f. The military pay and allowances system, with its food and quarters subsystems, is more effective than the salary system, with its single pecuniary basis in facilitating the fusion of individual soldiers into a group-oriented Army Community. This process of fusion is an indispensable basis for successful performance of the Army mission.

g. The modernized pay and allowances system is best for the Army, for the Armed Forces as a whole, and for the Nation.

9. Recommendation.

The modernized pay and allowances system should be the system for compensating military personnel.

IV. THE MILITARY BENEFITS SYSTEM

CHAPTER 12

MILITARY ABSENCES

*"He who cannot afford a vacation must
afford a sickness."*

- Frank Riggall, M.D., J.D.
Philosopher, Scholar, and
Counselor

1. General.

By law, military members are entitled to specific approved absences as follows:

- a. Military Leave
- b. Holidays
- c. Medical

The primary purpose of approved absences is to provide rest and relaxation from the work environment or recuperation from illness or injury.

2. Description.

a. Military Leave.

Military personnel earn leave at the rate of 2 1/2 days leave per month of active service. 37 U.S.C. 501 et seq. Leave can be accumulated up to a maximum of 60 days as of the end of any given fiscal year. Unused leave in excess of 60 days is lost at the end of the fiscal year. The only exceptions to this limitation apply to members missing in action or serving in a hostile fire zone for more than 120 days.

All leave days used are counted as absences on a day-for-day basis regardless of whether or not the leave days are duty or non-duty days; e.g., weekends and holidays falling within the leave period will be counted as leave used.

Military members who are discharged, or released from active duty under honorable conditions, their survivors in the case of death, or retired military members, are entitled to monetary reimbursement for up to the maximum of 60 days of unused leave as described above.

b. Holidays.

Military personnel are entitled, subject to mission requirements, to certain federal holidays. 5 U.S.C. 6301. The specified holidays, as implemented by Executive Order, are:

- (1) New Years Day, 1 January
- (2) Washington's Birthday, Third Monday in January
- (3) Memorial Day, Last Monday in May
- (4) Independence Day, 4 July
- (5) Labor Day, the first Monday in September
- (6) Columbus Day, the second Monday in October
- (7) Veterans' Day, the fourth Monday in October
- (8) Thanksgiving Day, the fourth Thursday in November
- (9) Christmas Day, 25 December
- (10) Other, when directed by proper authority under law.

c. Medical Absence.

Military members are entitled to an unlimited number of days of approved medical absence. 37 U.S.C. 502 et seq. Medical absences authorized, subject to approval by medical authority, are:

- (1) Medical examinations
- (2) Out-patient care
- (3) Sick in quarters
- (4) Sick in hospital
- (5) Sick or convalescent leave

3. Discussion.

Military absences provide military members with the rest, restoration, and recuperation necessary to their physical, mental, and psychological well-being which, in turn, is a sine qua non of an effective military force.

Many medical absences are accounted for by preventative medicine such as periodic physical examinations, required immunizations, and chest X-rays. These are not voluntary, but are required as a part of maintaining a healthy, vigorous force. Additionally, in reference to medical absence, the military member is subject to prosecution under the Uniform Code of Military Justice if suspected of the military offense of malingering.

A soldier available for duty is an effective fighting force. It is military management policy to keep the soldier available by returning him to duty as quickly as possible when afflicted by illness or injury. The maintenance of a healthy Army is essential

for maintaining maximum military effectiveness.

On the average, military members do not use all of their military absences, especially the 30 days leave per year and the holidays. The monetary value of the military absence benefit, for computation purposes, is equal to the cost thereof; i.e., the Regular Military Compensation (RMC) and any applicable special and incentive pays received by the member while absent X the number of days the member is absent = the monetary value of the benefit.

4. Conclusions.

Military absences benefit the Nation as well as the military member. For the Nation, military absences support a healthy viable Armed Force, ready to act with respect to any national emergency. For the military member, military absences tend to assure mental and physical happiness and well-being.

CHAPTER 13

THE RETIREMENT SYSTEM OF THE MILITARY*

"...the decisive consideration in designing an attractive professional career is the prospect at the end of it."

- Defence White Paper, 1957
The British Armed Forces

1. Introduction.

The retirement system of the military...unique or not?

All retirement systems, including the military system, are based upon the economic principle of life-sustainment and include, as essential elements, the members' willingness to "trade-off" over their life cycles present economic enjoyment for future economic enjoyment, i.e., explicit or implicit contributions to retirement during the highly productive portions of life for future retirement benefits in prospectively lesser or non-economically productive portions of life.

The primary risk to life-sustainment in every retirement system is the risk of physical death before the foregone present economic enjoyment can be consummated by the future economic enjoyment.

The military retirement system is unique because the military members' exposure to physical death is greater than the civilian members' exposure. In peacetime, due in part to the relatively dangerous nature of combat training, the military death rate is approximately double the civilian death rate. In war, the rate is compounded proportionately.

The military retirement system, moreover, is unique because there is an additional risk to life-sustainment that is borne by the military member; that is, the risk of "economic death".

* The "Retirement System of the Military" is the major component of the Military Estate Program. Other elements of that program are Survivor Benefits, Death Gratuity, Dependents' Indemnity Compensation, Servicemen's Group Life Insurance (SGLI) and Social Security Retirement. See Appendix 13-A.

If a military member has exposed himself to enemy fire for 20 or so years "in the saddle or at sea," the member is, in whole or part, economically dead if and when he attempts to enter the job market under the relatively disadvantageous conditions of (1) a relatively advanced age, say, 40 or over and (2) typically little or no skill in the civilian job fields.

The military member's choice? Attempt to "stay in" the military with expected future exposure to fire, or struggle to make a living for himself and his family at an advanced age with relatively little skill in the civilian job market.

Perhaps the most significant way in which the military retirement system is unique is that, unlike most civilian occupations, it is imperative that the military maintain a young and vigorous force. To meet Government mission requirements, all military personnel, except for a few senior officer and enlisted leaders, will be retired or otherwise separated by the service when their capability to meet the stringent physical demands of military service attenuates due to age.

Military retirement is therefore unique in its attempt to meet the extraordinary physical and economic risks of military service and to give the military member the confidence that he will have an economic base for sustainment of himself and his family throughout his non or lesser productive years...if he lives.

It is also unique in that the military mission, if it is to be successfully accomplished, requires a force composition of members who are predominantly youthful and with a very high degree of physical vitality.

2. History of Military Retirement.

In 1776, the Continental Congress passed the first general law authorizing half pay for life to disabled veterans of all ranks.¹

In 1789, the first U.S. Congress adopted and reaffirmed this law.²

In 1861, the first general nondisability retirement law for officers was passed.³ It provided for the retirement upon application of officers who had served 40 years or more and were physically incapable of performing their duties. The retirement stipend was set at 75 percent of active duty pay.

In 1870, the first 30-year voluntary retirement law for officers was passed⁴ and in 1885 its provisions were extended to enlisted personnel.⁵ Seventy five percent of active duty pay remained as the maximum pension amount.

In 1920, the law establishing the retirement formula at 2 1/2 percent of basic pay for each year of creditable military service was passed.⁶

In 1948, the Army and Air Force Vitalization and Retirement Equalization Act began the reserve voluntary nondisability retirement program, the so-called "Title III Retirement".⁷

In 1957, the military services were brought under the Social Security program, providing old-age benefits in addition to military retired pay.

3. Description of the Present System.

a. General. The retirement system of the military consists of two separate subsystems: military nondisability retirement, and military disability retirement. Also associated with the retirement system is Social Security retirement.

b. Military Retirement.

(1) Nondisability Military Retirement.⁸

(a) "Regular and Reserve commissioned and warrant officers may be retired upon application and approval by the Service Secretary after 20 years of active service, at least 10 of which must be commissioned service for commissioned officers. Enlisted members may also request retirement after 20 years of service. Few members serve beyond 30 years."

(b) "Retired pay is computed by multiplying the terminal basic pay of the retired member by 2 1/2 percent of the number of years creditable service, to a maximum of 75 percent of basic pay. Creditable service for enlisted men is active service only. All officers are credited with active service and some officers may receive credit for inactive or constructive service. The retired

grade of the member is usually the grade, whether temporary or permanent, in which he or she is serving on the date of retirement. An enlisted man or warrant officer retiring with less than 30 years of service who temporarily held a higher grade than the grade in which he retired receives retired pay in the lower grade until his total service (active plus retired) reaches 30 years."

(c) "...nondisability retirement benefits are periodically adjusted with changes in the CPI."

(d) Military retirement is non-contributory, non-funded, and non-vested. The rationale for the non-contributory, non-funded military retirement program is presented in detail in Appendix 13-B.

(e) See Appendix 13-C for a detailed description of the nondisability retirement subsystem.

(2) Disability Military Retirement.⁹

(1) "A member who has a disability of 30 percent or more (according the Veterans Administration rating schedule) may be retired for permanent disability if physically unfit to perform the duties of his or her grade. If the disability is not permanent, the member is placed on temporary disability retirement and is subject to physical examinations at least every 18 months. After 5 years, the member must either be retired for permanent disability, removed from the temporary disability list and returned to active duty, or separated (often with severance pay)."

(2) "The disability benefit is determined by multiplying the basic pay for the member's retired grade by the percent of disability. If the member

is eligible for nondisability retirement pay which would be greater than this amount, he or she receives that amount instead. Retired pay for a permanent disability is restricted to from 30 to 75 percent of basic pay; however, the minimum is 50 percent while on the temporary disability retired list. A member may waive military disability retired pay and receive disability compensation from the Veterans Administration."

(3) See Appendix 13-D for a detailed description of the disability military retirement subsystem.

4. Description of Alternative Systems.

a. Retirement Modernization Act (RMA).

(1) Retirement Pay Determination.

(a) The multiplier is 2 1/2 percent through the first 24 years of service and 3 percent after 24 years' service.

(b) The highest one year's basic pay instead of terminal basic pay is used as the base for computing retirement pay.

(c) The formula for computation of retirement pay under RMA: number of years of creditable military service through first 24 years multiplied by .025 plus number of years of creditable service beyond 24 years (but not beyond 30) multiplied by .030. The total above is multiplied by the average of the highest consecutive 12 months' basic pay to arrive at the monthly amount of annuity earned.

(2) Vesting Provisions and Separation Pay.

(a) For members who retire short of a "full career" of 30 years, full retirement pay is deferred until the point in time when the members would have reached 30 years had they remained on active duty. The amount of temporary reduction can bring the pension to a minimum of 35 percent of the basic pay base as computed in (1) (c), above, for the deferral period.

(b) For involuntary separatees, after five years of service, a vested, lump sum bonus, or vested but deferred retired pay is authorized. For voluntary separatees, there is deferred retirement pay, if separation occurs after five but prior to completion of 20 years' military service if certain conditions are met.

(3) See Appendix 13-G for detailed information generally on RMA and specifically Charts 17 and 18 for its effect on present active duty members.

b. Retirement System Proposed by the Defense Manpower Commission (1976).

(1) Retirement Pay Determination.

(a) Retirement credit is earned at a minimum rate of 1 up to a maximum rate of 1.5 points per year of military service based upon the "incentive multipliers" assigned to each military position. Non-combat positions are at a multiplier of 1.0. Combat positions would be at the 1.5 multiplier. A maximum of 30 retirement points may be earned during a career. Military service can continue, if permitted by law, even after 30 points are earned.

(b) The base used for determination of retirement pay is an average of the highest consecutive three years' pay.

(c) The formula for computation of retirement pay would be: Number of Retirement Points x Average of Highest Consecutive 3 Years' Basic Pay x .0267. The maximum is thus 80 percent of basic pay.

(2) Vesting Provisions and Separation Pay.

(a) Members retiring with 30 points, but less than 30 years' service have the option of an immediate annuity, actuarially reduced to account for the shorter service, or full retirement pay deferred until the time the military member would have reached 30 years' service, had he remained on active duty.

(b) Retirement pension rights vest after the military member completes 10 years of active duty and becomes officially a part of the career force.

1 "Career" military members separating voluntarily before completion of minimum retirement eligibility receive an annuity deferred to age 65.

2 "Career members separating involuntarily receive:

- Immediate cash readjustment pay equal to 24 times retirement multiplier times final basic pay.
- Option of deferred annuity computed on the same basis as the full-career computation formula (4b(1) (b), above) payable beginning at age of 65, or a lump-sum payment (in addition to readjustment pay described above).
- The DMC Retirement System is envisaged as unfunded and non-contributory.

5. Analysis of the Present System.

a. General. The analysis of the retirement system of the military must consider each of the two subsystems which compose it: nondisability retirement and disability retirement.

b. Nondisability Military Retirement.

(1) Effectiveness. Nondisability retirement is a principal means for the Government to attract and retain the number and quality of military members required to insure maintenance of a young and vigorous force. The lack of vesting provisions before 20 years of service tends to keep service members on active duty for 20 years. The immediate retirement annuity at 20 years of service, however, tends to discourage longer service on the part of the officer and enlisted personnel who typically possess the greatest amount of skill and education, i.e., the members whose retention for a full 30-year career is most desirable. Too, earlier attempted reentry into the private sector job market is obviously more desirable for the individual member than later attempted reentry from the standpoint of "marketability" of the service member in the civilian labor market.

"Because of their delayed entry into civilian employment, military retirees generally earn less in their second careers than civilians of similar age and education. Their prior military service imposes a second career income loss on their post-military employment, and a portion of their military annuity compensates for the economic disadvantage of late entry into the civilian employment market."10

(2) Economy.

Military basic pay increases have been held below C.P.I. increases and retired pay increases have been held equal to C.P.I. increases. Primarily because of this, the growth of retired pay has been more rapid than the growth of the basic pay element on which it is based. Special legislation had to be passed by Congress to prevent the occurrence of "pay inversions" (a situation where a military member can obtain a higher annuity by retiring upon attaining minimum eligibility than by remaining longer on active duty).

Cost Determination: The expected costs of retired pay are determined by the Future Obligations, Contingent Value of the Future Benefit, and Rate of Return.

1 The Future Obligations. The future obligations for retired pay under the current system are based upon three factors: basic pay at the time of retirement, the Consumer Price Index (C.P.I.), and the size of the retired population. Changes in these variables, above, effectively change total retired pay. The size of the retired population, based upon the existing known factors, will continue to grow.

2 Contingent Value of the Future Benefit. The actuarial method employed must recognize the contingent quality of the present nondisability military retirement system. Only slightly over 10 percent of all military personnel entering active duty remain to retirement eligibility at 20 years of service. Those who do not complete 20 years lose all rights to retirement benefits in the nondisability subsystem. Most actuarial methods assume that some sort of vesting occurs prior to eligibility. The unit credit method is one method which takes the contingent liability aspect into account. Appendix 13-E gives a brief description of this method.

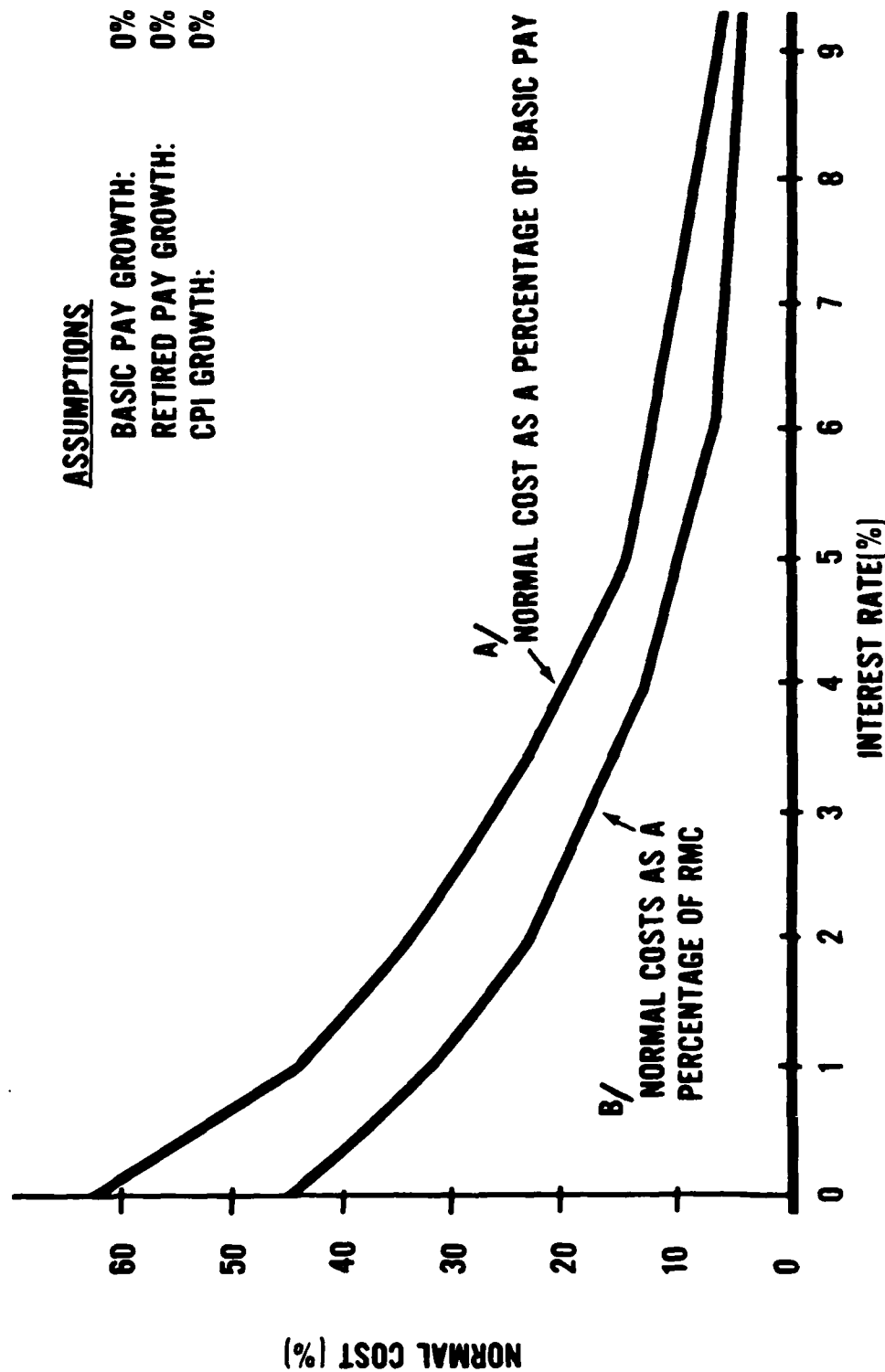
3 Rate of Return. All actuarial computations of normal cost or present value of future retired pay benefits accrued during the current period are particularly sensitive to the economic assumptions used. Figure 13-1 illustrates the effect on retirement costs of different rates of return using a present value model as a surrogate for a contingency model.

(b) Attribution of Costs: Military Member and/or Nation.

1 There are three alternatives in attribution of the costs of the military retirement system: attribution to the military member, to the Nation, or a specified share to each.

FIGURE 13-1

NORMAL COST OF RETIREMENT AS A PERCENTAGE OF BASIC PAY & RMC **SENSITIVITY TO CHANGES IN INTEREST RATE**



SOURCE: DOD THIRD QUADRENNIAL REVIEW OF MILITARY COMPENSATION

2 Appendix 13-F shows a comparison of typical attributions in the private sector, the civil service sector, and a conceptual framework for an analogous attribution of cost in the military retirement system.

(3) Efficiency.

Conceptually, the efficiency of the nondisability military retirement subsystem can be measured by the following general model:

$$\text{Efficiency} = \frac{\text{Effectiveness in Meeting System Objectives}}{\text{Cost of the System}}$$

Specifically, however, there are no generally accepted current means of measuring the numerator value of effectiveness in attraction and retention of a "young and vigorous" force. The development of such a model would be a contribution, but the time parameters preclude its development here.

While the expected future obligation costs of the system can be measured, the contingency and rate of return elements can only be assumed. The denominator value, like the numerator value, above, is accordingly difficult to determine because no agreement exists in the appropriate measurement technique.

(4) Equity.

The system's effectiveness as a management tool is affected by the extent that the equity perceptions of the individual military members are good or bad. Some equity considerations are:

The present system provides limited vesting of retirement benefits only after minimum of 20 years of active duty. Voluntary and involuntary separations prior to retirement eligibility result in no retirement pay. While severance pay is available to certain officers and all reserve personnel on active duty when involuntarily released other than for cause, severance pay is not available to the bulk of the active duty force.

(5) Psychosocial Aspects.

The prospect of a pension after 20 years of service, cost-of-living adjustments to protect it from inflation, and the possibility of pursuing a second career while still relatively young, is a strong incentive to enter and remain in service for 20 years.

Because of the all-or-nothing nature of retirement benefits under the present system, individuals are led to make career decisions relatively early into their service.

c. Disability Military Retirement.

(1) Effectiveness.

The disability retirement subsystem is intended to assist in retention of the required numbers and types of individuals and to provide a socially accepted method of removing them when physical disabilities render them less than fully useful to national defense:

"In most employment situations, a disability retirement system, although necessary by reason of social judgment, is probably not particularly important or effective in attracting and retaining the kinds and numbers of members that the organization requires. The typical young individual discounts highly the probability that he will become disabled. As a result, he is motivated only slightly by the potential rewards of a disability retirement system. However, the recognized extra hazards of military service make an adequate disability retirement program necessary both in encouraging individuals to elect a military career and in motivating them to perform hazardous duties and assignments voluntarily."

"The high injury rates sustained in combat operations and the injury rates incurred in some extra hazard assignments during both peacetime and wartime conditions make an adequate military disability retirement system crucially important in maintaining the high physical standards needed in an effective military force. If the disability retirement program is inadequate, military managers will be reluctant to remove members whose physical capabilities are inadequate, and the physical quality and vigor of the organization will deteriorate. However,

just as inadequate disability payments will lead to retention of members who should be removed from the organization, payments that are more than adequate will lead to the retirement of members who could be retained and efficiently utilized."10

Disability retirement performs a dual role. First, it compensates the disabled military member for partial or total loss of earning power during normal working years. Second, it provides an income during old age when the individual would normally have been retired from the labor force.

Disability retirees represent approximately 15 percent of the total retired military population. First, there is the group of military members disabled in service through combat injuries, disease and other causes. The second group consists of individuals who, having attained nondisability retirement eligibility, receive a partial disability rating as a result of a preretirement physical examination. Both the rationale and the effectiveness of disability provisions for the second group are open to question and have resulted in serious abuses in the past. Adjudication of disability and the degree thereof is a judgment made by military physicians at the time of the pre-retirement physical examination. A disability retirement carries with it important tax benefits and certain exemptions from the dual compensation laws pertinent to officers of the Regular Components of the various services. Effectiveness of disability retirement as a management tool is thus affected by the very real possibility of windfalls for individuals which are not intended within the scope of the system.

(2) Economy.

Because it has the same income protection provisions as the nondisability retirement, the disability subsystem is subject to the same cost factors. They will not be repeated here.

(3) Efficiency.

Disability retirement efficiency can only be measured on the individual level. The number and degree of service-disqualifying disabilities incurred in line of duty, and the attendant costs thereof, are determined by the war or peace environment. The benefits derived by the Government are the ability to give assurance to the military member that he will be "taken care of" and to remove him from service in a socially-acceptable way when he is no longer physically fit to perform his military duties. The efficiency function can be and is assessed on a relative basis vis a vis other retirement systems, below.

(4) Equity.

"The general objective of Just Treatment of Members...differs from the objective cited earlier for the nondisability retirement system in that the disability system must provide some measure of financial security not only 'after years of faithful service', but also, 'in compensation for a disability incurred in the line of duty' (when the disability exceeds a specified minimum percentage), regardless of the length of the member's service. This addition recognizes that the Government's obligation to provide disability compensation stems primarily from the conditions of employment and the military service in which the disability was incurred, rather than the length of service performed prior to incurring the disability."¹⁰

The existence and the degree of disability are subject to administrative determinations which may give rise to either real or perceived inequities.

The present military disability system relates levels of benefits to basic pay, which is only one element of Regular Military Compensation (RMC). Since basic pay represents a larger percentage of RMC for the higher pay grades than for the junior enlisted and officer personnel, the disability compensation for any given level of disability is proportionally as well as absolutely greater for the senior than for the junior ranks.

Disability retirement is generally involuntary before attainment of 20 years of service. The affected member loses a portion of his retirement payment if retired one day prior to a longevity pay increase based upon years of service. Another affected member retiring one day later may get a substantially higher disability retired pay.

The above difference is aggravated by the tax treatment of disability retired pay since it exempts that pay from federal income tax. Because of the progressive nature of the income tax structure, individuals in the higher grades also obtain a higher "tax differential" from this non-taxable item.

(5) Psychosocial Aspects.

It is doubtful that the disability retirement subsystem has any major effect on attraction and retention of military members. It can be argued that motivation is affected in a positive manner, especially in the combat arms area. There, the impact is of the same order (through not of the same degree) as that of availability of good and rapid medical care to an infantryman about to engage in combat. No evidence exists that anyone actually plans on a disabling injury as part of a career program. Sufficient examples of the workings of the system exist as a result of the recent combat actions to provide each active duty member the impression of "the Army caring for its own."

6. Analysis of Alternative Systems.

a. Uniformed Services Retirement Modernization Act (RMA).

(1) Effectiveness.

RMA is a proposal intended to simultaneously decrease the costs of the present retirement system and to enhance the effectiveness of retention for a full 30-year career.

Real cost savings may occur as a result of RMA implementation. This is based on the assumption that the reduction in benefits from present levels will not have adverse effects on attraction, motivation, and retention of service members. This assumption has not been empirically shown to be either tenable or invalid.

(a) RMA proponents look upon this proposal as a more effective management tool. Their rationale can be paraphrased as follows: "The present retirement formula was devised piecemeal over time to offset the negative effects of extremely depressed military pay levels of the past. The most generous terms for retirement were necessary to retain the core Regular element in a force composed mainly of transient, draftee soldiers who paid an in-kind tax of 2 years of their life at wages below poverty levels designated by the Secretary of Health Education and Welfare. The careerist would retire at a relatively young age with an immediate but small retirement annuity and enter the civilian job market and draw two paychecks. When he would finally leave the labor force at the age of 65, he would draw the small military pension and his Social Security benefits, which would together assure an adequate living income in retirement.

"Now that the pay levels of military members are comparable to and competitive with their cohorts in the private sector, it is time to reallocate resources to more effective use.

The objective of the small retirement pension as a supplement to the second (civilian) career income can be continued through reduced pensions for early retirees (less than 30 years) through the period they would have to serve had they remained on active duty for a full 30-year career. This also enhances management effectiveness by discouraging voluntary early retirements.

"Finally, the small military pension plus Social Security benefits at age 65 are replaced by a military pension minus the Social Security offset plus Social Security benefits.

"Additional management effectiveness in control of the active duty force structure is gained through the early vesting provisions prior to 20 years of service."

(b) The logic of the proposal is internally consistent as long as the basic assumption of no adverse effect on attraction and retention remains unchallenged, as long as the state of the economy does not effectively preclude retired personnel from obtaining employment in the civilian market at a relatively advanced age with little or no saleable civilian market skills, and as long as one accepts the statement that active duty military pay levels are indeed comparable to and competitive with the private sector counterparts. These concepts are subject to serious question. The first and second are neither supported nor refuted by empirical proof, since the existence of RMA is a necessary precondition to such proof. The third is false if adequate compensation means comparable to private sector salaries and civil service salaries.

(2) Economy.

Given the present military force, RMA will eventually cost less than the present system. The cost savings are initially negative because of the new vesting provisions which become effective upon implementation, while savings from the retirement pay "depression" between 20 and 30 years and the Social Security offset are attenuated by "save pay" provisions of the act. See Appendix 13-G.

(3) Efficiency.

The objective of RMA is the reallocation of available monetary resources to produce increased flexibility in attracting and retaining military members selectively for a smaller total cost than the present retirement system. The greater relative efficiency of the RMA proposal is contingent on the validity of the assumptions discussed in 6.a. (1), above.

(4) Equity.

The RMA Social Security offset provisions cause the following specific inequities:

(a) The higher rate of benefits at lower levels of income creates a larger percentage offset for retired enlisted personnel than for retired officer personnel, and

(b) Social Security participation during a military service career is made a penalty under the offset provision of RMA, i.e., RMA makes it possible to have a greater total retirement income from military retired pay plus the Social Security benefit based on post-military retirement earnings only than under the RMA offset to military pension plus Social Security earnings for the entire productive lifetime. (See Appendix 13-H for a more detailed treatment of the offset inequity).

(5) Psychosocial Aspects.

The attraction, motivation and retention aspects were discussed in earlier paragraphs, above.

b. Proposal of the Defense Manpower Commission (1976).

(1) Effectiveness.

The DMC proposal is intended to qualify the combat arms personnel for retirement before the combat support and combat service support personnel and to encourage retention for a full 30-year career.

The DMC proposal, by requiring an accumulation of 30 points to qualify for retirement, would tend to increase the average age composition of military members, and to that degree somewhat diminish the youthfulness and vigor of the force.

Military personnel, to the extent that they are assigned to combat jobs with a 1.5 retirement multiplier, could accumulate 30 points prior to 30 years. However, it is unlikely that many combat arms personnel could retire appreciably earlier than 30 years for the following reasons:

(a) Only some of their assignments, throughout their career, would be at the 1.5 retirement multiplier rate.

(b) It is generally not advantageous, under the DMC proposal, for persons who have accumulated 30 points, to retire with less than 30 years' service. Such personnel would not start

to receive their retirement annuity until the point in time when they would have attained 30 years' service. Alternatively, such personnel could elect to receive an immediate annuity which would be permanently reduced on an actuarial basis--i.e., the reduction would not be restored at the 30 year point.

The deferred annuity and lump sum vesting provisions provide an effective means of separating individuals from the service prior to the point of minimum retirement eligibility.

The use of the highest average consecutive 36 months of pay as a base for annuity computation tends to insure against retirements immediately following a general pay raise or a longevity step increase.

(2) Economy.

The cost of retired pay, all things being equal, will tend to decrease relative to the cost of the present system by an amount and in the degree of the savings in cost from the members remaining on active duty for an additional ten years beyond the current minimum of twenty years of active service.

The DMC proposal, from the perspective of present and potential military members, is a less adequate retirement system than the present system. The primary means that it would use to reduce the costs of retired pay is through a de facto change from 20 to 30 years as the minimum service required to qualify for retirement. As noted above, those members who could attain 30 retirement points with less than 30 years service would receive the same total retired pay over their lifetime as those who retire at the 30 year point.

(3) Efficiency.

Efficiency is derivative of economy and effectiveness. The DMC proposal would reduce the cost of retirement relative to the present system. However, from the military member's viewpoint, this cost savings represents a "giant step backwards" from the present system. Whether the factor of cost savings will on net balance offset the "step back factor" is not known.

(4) Equity.

The unique preferential treatment of combat assignments is consistent with equity considerations insofar as it gives recognition to the additional dangers and hardships of such service. It does, however, present two equity issues.

(a) Mission requirements may preclude personnel management processes equalizing the opportunities for earning the additional retirement points that would accrue to combat assignments.

(b) Female military members are precluded from such combat assignments.

(5) Psychosocial Aspects.

For personnel in the Armed Forces, the DMC proposal would enhance the desirability of service in the combat arms.

Its exact impact on attraction is difficult to assess since surveys show that retirement, in any form, is not a strong initial attraction to the young first-term service member.

7. Comparison of the Present and Alternative Systems.

There are a number of important unknowns, such as the effect of various features of the proposed alternatives on attraction and retention of military members, which make it very difficult to provide an ordinal ranking among the systems considered. Each one emphasizes different problem areas and different spans of the military career cycle. Under these circumstances, direct comparison and ordinal ranking would be merely a matter of personal judgment or preference.

8. Conclusions.

a. The retirement system of the military is unique in that (1) it reflects the unique requirement of the military personnel system for a young and vigorous force and (2) it attempts to meet the extraordinary physical and economic risks of military service.

b. No definitive conclusions can be drawn on "the best" retirement system, since it would be based upon ex ante reasoning.

c. There are pluses and minuses for all three systems. From the cost standpoint, it can be reasonably expected that both the RMA and DMC systems will be more economical than the present system. Yet, the present system is probably more effective than either the RMA or DMA systems. Therefore, the comparative efficiency of the aforestated systems, which is derived from the foregoing, cannot be determined with finality.

CHAPTER 14

MILITARY EDUCATION

"... a Government is the murderer of its citizens which sends them into the field ... where they are to meet men...mechanized by education and disciplined for battle."

- Harry 'Light Horse' Lee, 1812
Major General, US Army
(Father of Robert E. Lee)

1. Introduction.

To meet the mission requirements of U.S. national security, the military needs a certain minimum number and quality of members with sufficient education and training to meet the multiplicity of needs of today's highly technological battlefield. This requires a diverse group of officers and enlisted members who have expertise in a wide spectrum of military and military-related fields. Professional soldiers with technical, managerial, and geopolitical skills are essential for the U.S. Military to continue to be one of the world's dominant military forces.

The professional soldier's role today includes:

- a. helping to define the nature of the Nation's security tasks, especially their politico-military dimension;
- b. applying scientific and technological knowledge to military matters;
- c. obtaining essential technical training which is not given in service schools and which is necessary for proper performance of assigned duties;
- d. training officers who can cope with the political, economic, scientific fields, and who are capable of working with civilian scientists and directing research and development in military fields; and
- e. advising foreign military establishments as required.

The military education system, defined to include its civilian schooling component, is a primary means of assuring military professionals with the necessary background to support a technologically-advanced U.S. military.

2. History of the Present Educational System.

In 1775, John Adams, American Revolutionary War leader and future U.S. President, addressed the importance of military education. He was concerned that the military member be trained not only in war, but in war-related fields such as mathematics, geography, sociology, political science, and economics.

In 1799, Alexander Hamilton proposed the establishment of a military academy at West Point, New York. He proposed that the curricula for the first two years would consist of war-related general education such as arithmetic, algebra, geometry, the laws of motion, mechanics, geography, topography, surveying, and the designing of structures. The last two years would be spent in education with emphasis on war. In 1802, instruction began at West Point. The rest is history.

3. Description of the Military Education System.

Figure 14-1, below, depicts an overview of the military education system. The three basic categories of educational programs which comprise this system are:

- the on-duty fully-financed program
- the off-duty partially-financed program
- the off-duty non-service-financed program

a. On-Duty Fully-Financed Program.

(1) Military Education. For officer personnel, the military education ranges from basic branch and officer candidate school at the lowest level, to the National War College at the highest level. (The Army War College, the Industrial College of the Armed Forces, the Air War College, the Naval War College, the Inter-American Defense College, the Canadian National Defense College, the British Imperial College, and the French Ecole Superieure de Guerre are considered to be at the same military educational level as the National War College).

For enlisted personnel, this program ranges from basic training through the Sergeants Major Academy.

(2) Civilian Education. The civilian education of officer and enlisted personnel ranges from the primary school level through the postgraduate school level. The Services recognize all levels of programs here; i.e., the on-duty and off-duty, serviced-financed and non-service-financed programs.

The on-duty, fully-financed program, above, includes the following subprograms: primary school completion program, high school completion program, bachelor degree completion program, and the graduate degree completion program.

b. Off-Duty Partially-Financed Program. Off-duty educational assistance is available to both officer and enlisted personnel through one of the following subprograms: bachelor degree program, graduate degree program, and the cooperative graduate degree program. Personnel electing to participate in one of these subprograms may receive financial assistance from the Army to cover 75 percent of the tuition cost of the courses. By accepting financial assistance, commissioned officers agree to remain on active duty for a period of at least two years after completion of each such course in which tuition assistance funds are used. Enlisted personnel do not incur an additional service obligation as a condition for receipt of tuition assistance.

c. Off-Duty Non-Service-Financed Program. Other educational programs (secondary and primary school program, bachelor degree program, graduate degree program, and the cooperative graduate degree program) may be pursued by individual service members in their off-duty time subject to mission requirements. Although the Military Services do not finance this program directly, the program is financed indirectly to the degree, if any, that the service member has accrued entitlement under the "GI Bill"; i.e., the "GI Bill" may be used by the service member while he is in the service as well as after he leaves the service.*

See Appendix 14-A for detailed description of civilian educational programs available to service personnel.

4. Description of Alternative Systems or Subsystems.

There is, for a modern military force, no alternative to the purely military education component. There are possible subprogram alternatives. These are generally minor and will not be addressed here. The alternatives to the civilian education component of the system are limited to the major issue of reducing or eliminating the civilian graduate education subprogram.

5. Analysis of the Present Educational System.

a. General.

* Service personnel are authorized "GI Bill" benefits only after 180 days of continuous active duty.

The increasing multiplicity of roles of military professionals, above, with its attendant requirement for increased knowledge and understanding, has been brought about by the changing nature of warfare. This tendency is expected to increase because of continued technological advances with a consequent subdivision of old specialties and spin-off of new specialties.

b. Effectiveness.

The military education system provides the service member with a diversity of skills and tends to assure higher levels of military performance.

The military member, after completion of education and training requirements, is much more motivated, has a higher degree of skills, and has a greater capacity for absorbing knowledge. Additional education not only increases individual expertise and productivity, but it also increases the Army's intellectual and technological stockpile.

c. Economy.

In general, the education and training of the military members tends to increase their retainability and thus lowers the total cost of the military force by an amount equal to the cost of training replacement personnel. The precise attribution of the costs of military education, by category, is as follows:

(1) On-Duty Fully-Financed Program. The purpose of the military education component of the on-duty program is to replace losses, and to prepare personnel in skills required in the military structure, including the increasingly complex tasks which become their responsibilities as they progress in their military careers. This education and/or training is necessary for the members to perform their jobs thoroughly and completely in order to fulfill service requirements. The costs related to the military component of this on-duty program result directly from the operating requirements of the Armed Forces and are therefore Government "costs of doing business".

The civilian education component of the on-duty program is similarly furnished for the specific purpose of providing military members with the skills needed for military mission requirements. For example, in the case of the graduate school program, requirements for officers with graduate degrees are determined on the basis of the number of "validated billets" - military positions which have been determined, based on duty prerequisites, to require a person with graduate level education in a

specific academic discipline. Additionally, military members receiving this education must serve an additional period of active duty at least three times the length of education, including one tour in the validated billet for which they received the schooling. For the aforescribed reasons, the costs of this civilian education component of the on-duty program are Government "costs of doing business".

(2) Off-Duty Partially-Financed Program.

The off-duty education is of value to the service member. The Government, in return for payment of up to 75 percent of the tuition costs of this education, receives an additional two years of service obligation from the officer. The purpose of the program is to develop personnel professionally while on active duty. Since the Armed Forces require additional service obligations, and inasmuch as this is an off-duty program, the tuition assistance for officers is a non-compensation benefit.

While tuition assistance for enlisted personnel is also an off-duty program, enlisted members do not incur an additional service obligation as a condition for receipt of the benefit. Therefore, tuition assistance payments for enlisted personnel is a compensation benefit, except for tuition payments made to enable enlisted members to attain a high school level education.

Excluding the costs of a high school diploma is based on the fact that the Services directly benefit from this education at least as much as the individual member. This benefit derives from the increased trainability of the member in service-related schools; the member's ability to make an increased contribution while on active duty; and the increased probability of retaining the member in the career force resulting from his or her improved advancement opportunity and eligibility for subsequent higher levels of training.

(3) Off-Duty Non-Service-Financed Program.

Personnel participating in this program receive neither financial aid (other than in-Service GI Bill Educational assistance) nor do they incur an additional service obligation as a result of this off-duty educational endeavor.* Therefore, this program must be viewed as a non-compensation benefit to military personnel.

* High school level instruction is completed on a half on-duty and half off-duty basis through the Predischarge Education Program (PREP) which is VA funded. Tuition and fees for PREP are at no expense to the service member.

d. Efficiency.

Investment decisions are based upon whether the value of the expected benefits is greater or less than the cost. Investments in education of manpower, however, yield a future flow of intangible benefits which is difficult, if not impossible, to quantify in dollar and cents terms. Education, subject to this limitation, is generally considered to be efficient, especially in view of the increasing technological requirements of modern warfare.

e. Equity.

Each military member has an equal opportunity to participate in the educational programs of the military. Persons who have not obtained a high school diploma are given every opportunity possible, consistent with mission requirements, to attend school either during or after duty hours. The Army encourages and motivates its members to increase their education by including educational attainment level as one of the factors to be included in promotion considerations. For enlisted personnel, a high school diploma or equivalent is "the norm". Officers are also expected to obtain at least an undergraduate degree if they plan to remain on active duty and remain competitive with their contemporaries.

f. Psychosocial Aspects.

(1) Recruitment.

Educational opportunities offered, whether at the graduate degree or the high school diploma level, assist in recruiting, motivating, and retaining the individual soldier. Scientific surveys show that over one-third of Army personnel state that the primary reason for their enlisting was the prospect of the enjoyment of educational benefits.

(2) Motivation.

There is strong motivation among military members to seek college degrees and high school diplomas because they are viewed as imperative to career success. Career officers and enlisted personnel consider themselves disadvantaged in terms of promotion if they do not possess the requisite credentials of educational performance.

(3) Retention.

Scientific studies reveal that there is a direct relationship between increased retention of quality personnel and increased opportunities to obtain additional education.

6. Analysis of Alternative System.

a. General.

As stated earlier, there is no alternative to the purely military education component. However, within the civilian education component of the military educational system, an alternative is the reduction or elimination of graduate education for military personnel.

b. Effectiveness.

The elimination or reduction of higher education programs within civilian institutions can reasonably be expected to result in a negative impact on professional competence.

c. Economy.

A cost savings will result from the elimination or reduction in civilian higher education because, in that degree, funding would not be required to pay for military members to attend civilian educational institutions, the "validation" system would be eliminated along with its attendant costs, and replacements for military members, while they are attending graduate school, would not be needed. There would, accordingly, be a reduction in costs.

d. Efficiency.

The military would tend to be less efficient if civilian higher education were reduced or eliminated because the decrease in costs would tend to be more than offset by the decrease in effectiveness. Specifically, service support of the motivation to achieve would be severely abated, military members would not be at the same communication level with their civilian counterparts on issues, especially technical issues affecting the military, and the savings for eliminating the program would tend to be eliminated by a decrease in recruitment rates. This applies especially to those persons of superior ability -- the individual whom the Services seek to retain -- who are bent to pursue enlightenment in the science and art of warfare. These persons would tend to become disillusioned and move to other professions to achieve an opportunity to express their creativity.

e. Equity.

Today's highly technological battlefield requires equally high technological knowledge and understanding which is often

available only at civilian graduate schools. If our potential enemies meet these battlefield demands and the U.S. does not, it would tend, ceteris paribus, to be disastrous for the American military and the Nation.

No greater inequity could be visited upon the American fighting man than to permit him to become competitively inferior on the battlefield. Denying him an opportunity for the full range of applicable education and training, including military-related graduate education, would have this effect.

Potential military members who are college graduates and who are considering the service as a career may tend to choose alternative occupations where they can continue their education.

7. Comparison of the Present and Alternative System.

a. Effectiveness.

The present system of civilian education has been effective in that it develops intellectual awareness of the civilian's concept of the proper role of the military, exposes the service member to a variety of intellectual thought processes which are quite different from those common in the military, and injects new ideas and provides a dynamism which the military cannot hope to achieve with purely military education. The alternative system described in paragraphs 6a-e, will reduce or eliminate the effectiveness of the present system.

b. Economy.

The alternative system of reducing or eliminating graduate civilian education will, in that degree, result in a cost savings in military education, but it will tend to be offset by the increased training and replacement costs of those members who are not retained because of the lack of opportunity to pursue intellectual excellence.

c. Efficiency.

On balance, the present system is more efficient than the alternative system; the loss of effectiveness inherent in the alternative system is far greater than any cost savings it may achieve. Whether cost decreases would actually be realized is problematical due to the possible increased costs in replacing personnel who are not retained, as discussed above.

d. Equity.

The selection process for military members attending fully-funded programs is equitable. Persons who meet the requirements for graduate school have an equal opportunity to be selected for attendance on a competitive basis.

Reduction or elimination of the program will eliminate potential avenues for professional development that are offered to individuals in the private as well as the civil service sector.

e. Psychosocial Aspects.

Civilian higher education increases recruitment, retention, and professional skills within the Armed Forces. Service members' self-perception and self-confidence is enhanced. This, in turn, tends to result in higher professional performance with the Service and the Nation benefiting in the degree thereof.

8. Conclusions.

The education of military members by the present system has proved to be most successful, because these programs have increased recruitment and significantly enhanced military performance.

All costs of the military education system, except as noted below, are properly Government costs of doing business, inasmuch as they directly relate to military mission requirements and/or require additional service obligations by the recipients.

Tuition assistance payments to enlisted personnel participating in the off-duty partially-financed program should be considered as a compensation benefit, except for costs to enable attainment of a high school degree. The rationale for classifying the latter costs as Government costs of doing business is set forth in paragraph 5c(2) above.

As a matter of practical necessity, relaxing educational prerequisites may be required during time of war, but in times of peace the military force can be improved by making education, whether advanced or remedial, a top priority for all members.

9. Recommendation.

Greater efforts should be made to enlarge the opportunities for, and to increase participation in, educational programs of all types within the military.

The fully-funded higher education of Army personnel should be limited to the specific academic disciplines identified as directly supporting a particular military position.

College accreditation for certain DOD courses should be obtained to assist military personnel in converting militarily obtained education to civilian education.

"The school is the last expenditure upon which America should be willing to economize."

- Franklin D. Roosevelt

CHAPTER 15

MILITARY MEDICAL CARE

"It is the duty of...the Commander-in-Chief himself to take care that the ill soldiers are...diligently attended by the physicians. For little can be expected from men who have both the enemy and diseases to struggle with."

- Vegetius, circa 350 A.D.
Chronicler, Roman Legions

1. Introduction.

a. Mission. The basic mission of the Military Health Services System (MHSS) in peacetime is to achieve and maintain a physically and psychologically viable armed force, and in war-time to restore and recycle manpower resources to military duty.

Figure 15-1 depicts the recycling of human resources in a Theater of Operations under combat conditions. The exact level of evacuation--i.e., ranging from the front line medical unit through the Continental United States (CONUS)--is determined by the severity of the wound or illness and the level of medical care required.*

The additional mission of the MHSS is to provide health care to other specified beneficiaries on a space available basis.

b. Organization. The MHSS is organized to provide the health services necessary to support the military forces in fulfilling their assigned missions. See Appendix 15-A for more detailed information on MHSS organization.

2. History of Medical Care.

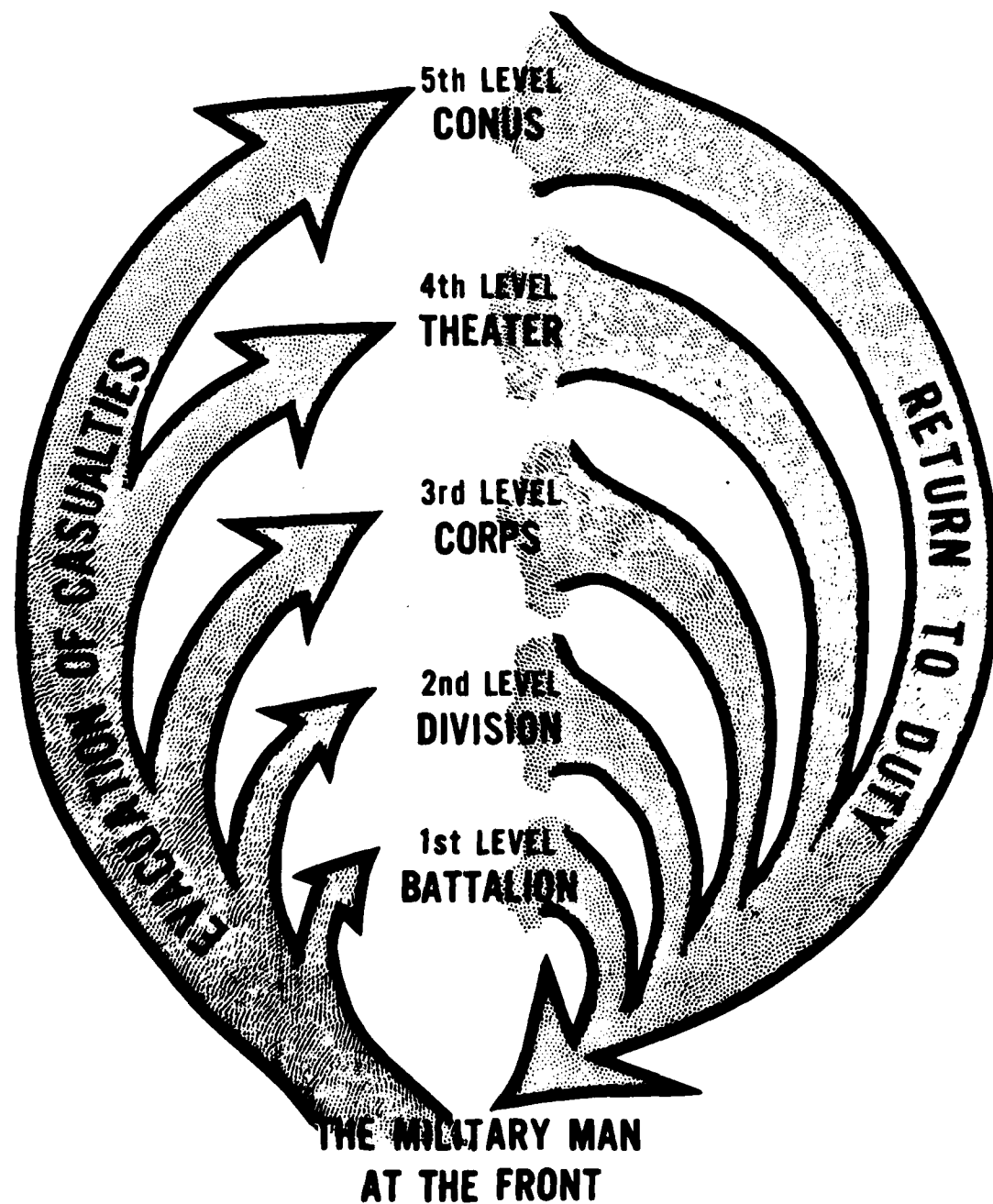
In 1776, the Continental Army first made provision for medical care to its military members by employing local contract surgeons from the areas near the scenes of battle.¹

In 1884, medical care for dependents of military members was first recognized. The law stated "...that the medical officers of the Army and contract surgeons shall whenever practicable attend the families of the officers and soldiers free of charge."²

* The motto of the US Army Medical Department is: "Conserve the fighting strength."

Figure 15-1

THE UNIQUE ROLE OF MILITARY MEDICAL CARE



SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE,
THE PENTAGON, WASHINGTON, D.C.

The morale impact on the active duty member of the health of his family and the nonavailability of local providers of care appear to have been the basis for the law.³

In 1956, the military medical benefits for dependents of all active duty members were expanded to provide the types of care similar to Blue Cross/Blue Shield high option coverage available to federal civil service employees.⁴

In 1966, the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) authorized for the first time medical care from civilian sources for dependents under specified conditions. This law also made provision for medical care for spouses and children of active members who are either mentally retarded or physically handicapped.⁵

3. Description of the Military Medical Care System.

a. General.

(1) The Military Health Services System (MHSS) provides medical care to the following categories of beneficiaries:

- (a) Active duty service members;
- (b) Dependents of active duty members;
- (c) Retired service members and their dependents;
- (d) Survivors of both active duty and retired members.

(2) This world-wide system includes the land, facilities, equipment, supplies and manpower for support of the military services' operational and combat missions, and for all other ancillary services such as research, development, training and education. It provides inpatient and outpatient treatment in its own facilities and the funds for CHAMPUS, above.

b. Purpose.

- (1) "There are three fundamental reasons for Defense medical programs: (1) to provide a nucleus around which to build our wartime medical force; (2) to maintain a healthy peacetime active military force; (3) to offer a fringe benefit, consistent with modern American employment practices, through delivery of health care to dependents and retirees."⁶

(2) Also, the military health care system exists

"...to create and maintain high morale in the Uniformed Services by providing an improved and uniform program of medical and dental care for members and certain former members of these services, and for their dependents"⁷ and "...to make military careers more attractive..."⁸

c. Extent of Medical Care.

(1) Active duty members are entitled to receive total medical and dental care in any facility of any uniformed service.⁹ Any treatment needed to maintain the individual member in good health is authorized. In certain circumstances, the Services may pay for care provided to an active duty member by Veterans' Administration or by civilian medical facilities. CHAMPUS is not an authorized program for active duty personnel.

(2) Retired military members may be given medical and dental care in any facility of a uniformed service subject to availability of space and facilities and the capabilities of the health care staff.¹⁰ The extent of care, if available, is the same as for active duty members. If military space and/or facilities are not available, the retired member must obtain medical care through the CHAMPUS program which has certain limitations and incurs some out-of-pocket costs for the beneficiary. (See Appendix 15-B). Dental care is not available thru CHAMPUS.

(3) Active and retired members' dependents and survivors may, within the same limitations as are applicable to retired members, receive medical and dental care in the health care facilities of the Uniformed Services.¹¹ The level of care, when available, is unlimited; however, a nominal charge is made for hospital inpatient care. Custodial care (such as supervisory care of the aged or retarded, etc), certain health devices and appliances (such as some cosmetic aids), and routine dental care in areas where civilian sources are deemed adequate, are exceptions to this policy and are generally not provided to this category of beneficiaries. Authorized care under CHAMPUS is at the same level as for other categories of beneficiaries except for the following additional exclusions: physical and eye examinations, immunizations, and routine well-baby care. Appendix 15-B describes the CHAMPUS program.

4. Analysis of Military Medical Care System.

a. Effectiveness.

The wartime medical support provided to the fighting force

of the Army has been repeatedly proven during combat where it has combined the most recent technical advances in medicine with flexible organization to deliver definitive care under the most adverse conditions. The effectiveness of MHSS is generally accepted and is not at issue here.

b. Costs.

(1) General.

The central issue in the analysis of the military medical care system is cost and benefit attribution. There are three basic models of attribution of military medical care costs: Government Total Cost Model, Government Marginal Cost Model and "Group Insurance" Cost Model.

(2) Government Total Cost Model.

(a) General. This model attempts to attribute to the military member on a per capita basis the cost of all military medical activities, to include construction and maintenance of housing for military medical personnel, research, professional development training, the cost of utilities and services such as fire protection, and "retired medical care accrual" as a portion of the member's total military compensation.

(b) Effectiveness. This model charges the total cost of the operation of MHSS on a per-capita basis to the military member as a compensation benefit. It is not effective in measuring the compensation benefit to the member, since it includes all costs, such as vector control, research, and construction.

(c) Economy. The Government Total Cost Model does not recognize any portion of MHSS operational expenses as a cost of doing business. It does not present an accurate estimate of either cost or benefit and is not comparable to any other attribution model used either in the civil service or the private sector.

(d) Efficiency. The Government Total Cost Model gives an inaccurate representation of the compensation benefit portion of total MHSS costs. Taken at face value, this model shows the value of the compensation benefit as substantially greater than what the military member would have to pay in the private sector for a like level of health care.

(e) Equity. Actual use of the Government Total Cost Model would charge the individual member with the costs of even

those operating expenses which have only a remote and far-fetched connection with any benefits he may receive from health care.

(3) Government Marginal Cost Model.

(a) General. This model stipulates that the military establishment has mission requirements necessitating a certain minimum essential medical force, that the Government should bear the costs up to that point, and that only those costs which are above and beyond this amount should be properly considered as charges to the military member as compensation.

(b) Effectiveness. The primary beneficiary of military health care is the Nation. Military medical care insures a healthy and responsive defense and maintains the training base for contingency medical requirements. In fact, much of the health care delivered to the active duty member is mandatory in nature and cannot be refused without risk of disciplinary sanctions; e.g., physical examinations, inoculations, and other.

There is a minimum essential medical force required to sustain, treat and care for the armed force during the execution of assigned missions. The size of this medical force is a function of the total size of the armed force, the environment in which the force is committed, and the level and intensity of violence encountered. The location, arrangement, and sustainment of a medical force are also determined in light of the above factors. This medical system, including its treatment, evacuation, command and control, and training components, is mission-based and prescribed, and can be viewed as essential to the Nation's defense. This benefit derived by the individual military member is considered important but incidental to the basic benefit derived from military medical activities by the Government. This basic benefit is the return of military personnel to duty after injury or disease.

(c) Economy. There must be on hand sufficient resources of land, hospital facilities, operating tables and equipment, beds, surgeons and other medical personnel to fulfill the medical mission of caring for the projected contingency-size force regardless of the force in existence. This is to say that all resources are fixed, except for consumable supplies, such as splints, bandages, etc., which vary with the number of admissions/treatments. Since the mission-required forces are fixed at the stipulated contingency mission level, they are "sunk costs" and the expendables are the only variable or incremental cost incurred in the operation of the military medical care facilities up to the mission level capacity of these facilities (or up to "the margin"), at which point costs of resources other than expendables become variable or marginal. In sum, the marginal costs of the military medical facilities up to the contingency mission level requirement are zero, except for

the incremental costs of consumable supplies used for non-active duty personnel care, cost of CHAMPUS, and maintenance costs of certain facilities, net of the expense of "mothballing" them. Figure 15-2, below, graphically depicts the use of marginal cost analysis in determination of costs properly chargeable as a "compensation benefit" to the member and those defined as "sunk costs" to the Government.

(d) Efficiency.

1 The Government Marginal Cost Model effectively attributes costs and benefits of the Military Health Services System to the Government and the individual active duty military member. The model combines the following features of effectiveness and economy:

-- Use of "hard" figures; i.e., official budgetary or accounting information.

-- Presentation of objective measurements of cost to the Government and benefit to the individual military member rather than quantification of subjective values.

-- Use of easily-understood and generally accepted criteria for costing.

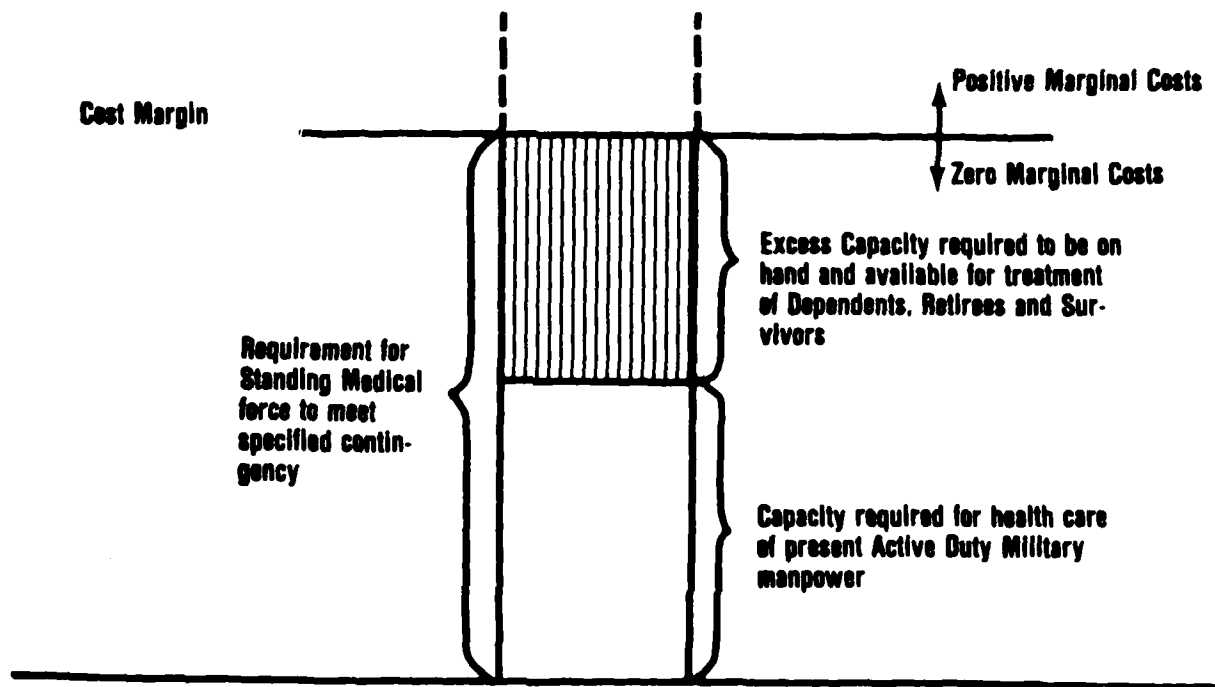
2 The MHSS's net efficiency in the repair and recycling to duty of the military member is determined, in part, by its repair of the military member's dependents, retired members and their dependents, and survivors of deceased members.

-- Diversity of type of patients and medical problems develop and maintain on-going professional competency and tend to assure attraction and retention of physicians and other personnel.

-- Capacity of MHSS is determined by contingency and wartime mission requirements. Full utilization of capacity in peacetime enhances readiness for mission performance. Only the Government Marginal Cost Model recognizes these factors both in terms of benefits and costs.

3 Recognition of costs and benefits based on the marginal concept enhances efficiency in that:

Figure 15-2
USE OF MARGINAL COST ANALYSIS
IN DETERMINATION OF HEALTH CARE COSTS
CHARGEABLE TO MILITARY COMPENSATION



Source: US Army Military Compensation Task Force,
The Pentagon, Washington, D.C.

Sunk Costs and Incremental Costs. If costs have been incurred as a result of past decisions they are known as "sunk costs". Sunk costs should not be included in our cost calculations. Once a decision has been made which causes costs to be incurred, these costs are beyond the control of the current decision. Sunk costs no longer represent any alternative for the decision maker and, if included, would only confuse the decision making problem. The analyst should present only the future cost or "incremental cost" of each alternative. These are those increments of cost that will be incurred as the result of choosing one or another of the alternatives available. They may be looked upon as "consequential costs" since they are the consequences of the decision makers current choice.

(Source: Economic Analysis Handbook, Department of Defense, 2d Edition)

-- Marginal costs of treatment are zero up to the margin.

-- Dependents, retired members, and survivors are accommodated only on a "space available" basis and only if a slack capacity exists.

(e) Equity. Since the Government incurs "sunk costs" to maintain the required contingency medical force in being, then it is not equitable to charge these sunk costs as a compensation benefit to the service member.

(4) The "Group Insurance" Model.

(a) General. This model attributes the value of health care benefit based on an estimate of the cost of insurance premiums which would have to be paid were the military members to purchase in the private sector the same level of health care they are entitled to within the MHSS.

(b) Effectiveness. No provision is made by this model for the wartime environment and the attendant differences in care. The model uses the cost of mean average annual insurance premium rates from a sample of civilian comprehensive health insurance plans. The plans are selected on the basis of attempting to approximate the level of peacetime military medical care. This approximation falls short since the age structure, coverage, and all other factors are substantially different than those found in the military environment.

(c) Economy. There is no direct relation between the level of "benefit" derived as measured by the contrived insurance premium and real-world costs incurred by the Government to procure medical care for military members, their dependents and survivors.

Within the limits of the federal income tax laws, portions of insurance premiums become a deduction from gross income, creating a cost reduction available to civilians with health insurance that is not addressed in the "Group Insurance" Model.

(d) Efficiency. The lack of any relationship between the benefit measurement and the cost of the benefit to the Government makes it virtually impossible to derive a cost-to-benefit

ratio. This failure classes the model as an inefficient instrument of analysis.

(e) Equity. Ascribing an arbitrary monetary amount to a value system provides a false base which can be used to affect active and retired compensation levels in the future.

5. Comparison of Alternative Cost and Benefit Models.

a. Effectiveness.

Of the three models discussed in paragraph 4, above, only the Government Marginal Cost Model addresses all the pertinent variables which affect the distribution and attribution of costs and benefits between the Government and the individual military member. It is, further, the only model which is applicable to both cost and benefit aspects of military medical care.

b. Economy.

As described in paragraph 4, above, the Government Marginal Cost Model alone presents an accurate cost accounting which considers all the variables pertinent to the MHSS.

c. Efficiency.

Efficiency can be described as a ratio:

$$\frac{\text{benefit}}{\text{cost}} \text{ or } \frac{(\text{output})}{(\text{input})}$$

Since the Government Marginal Cost Model is the most effective and most accurate in cost description, it is the most efficient model for use in attribution of cost and benefit of military medical care.

d. Equity.

Because it considers all the variables, the Government Marginal Cost Model is the most equitable, both to the Government and the individual military member.

6. Conclusions.

Medical Care in the military services is first an operational requirement which provides for the care and maintenance of human weapons systems. As a secondary effect, a major benefit is

derived from this care by the active and retired members, and their dependents and survivors. It has a major impact on the morale of the active duty force and therefore affects its combat readiness.

The military services must maintain a minimum essential medical establishment capable of coping with contingencies outlined in various war plans. Further, they must maintain a healthy active force capable of executing the missions assigned in these plans. Because the existing medical care establishment is constituted to satisfy these requirements, all costs incurred must be considered as "sunk costs" or "costs of doing business". It is only when costs are incurred beyond that established margin that a positive compensation cost of medical care can be said to exist.

A Government Expense (Marginal) Cost Model is the only appropriate method of determining the value of the health benefit.

Medical costs above the margin of the requirements of the specified contingency medical force should be considered a compensation benefit.

CHAPTER 16

THE ARMY COMMISSARY SYSTEM

"Corn and potatoes are power, just as coal and iron."

- General Erich Ludendorf
Chief, German General Staff

I. Introduction.

The primary purpose of the U.S. Army Commissary System is to provide food and other items to U.S. Army troops. The secondary purpose, effective in time of peace, is to provide food and other items to military dependents and other authorized patrons.

The secondary purpose supports the primary purpose. The secondary purpose assures that in time of war there will be adequate food for mobilized U.S. Army troops who will displace the dependents and other authorized patrons.

Commissary stores in time of peace are a convenience. In time of war, they are, in converted form, a necessity.

2. History of the Present System.

In 1775, Army troops supplemented their issued food rations by individual purchases from civilian merchants called sutlers. Sutlers were peddlers who followed the Army to sell food, liquor, and general merchandise to the soldiers. One sutler per Army post and/or regiment was authorized. Each month the sutler was assessed a charge of 10-15 cents per man which he paid from his profits. This money was used as the basis for the post and/or regiment fund for what is now known as nonappropriated fund activities.

In 1886, Congress abolished the sutler system due to discovered abuses in the quality and prices of merchandise being sold to the troops and established, on a Government-appropriated fund support basis, the Army Commissary System.

In 1952, appropriated funds were eliminated for the following commissary store operations: commercial transportation in the U.S., utilities in the U.S. (except Alaska), operating equipment and supplies, and store losses through shrinkage, spoilage, and pilferage of merchandise. It was necessary for the Army to add a surcharge price to the merchandise prices to absorb these additional costs.

In 1974, the Congress authorized the Services to use the surcharge for new construction. Prior to that date, appropriated funds were used for major construction and surcharge funds could be used for this purpose only with prior Congressional approval.

3. Description of the Present System.

Figure 16-1, below, depicts the functional operation of the U.S. Army Commissary System in accomplishing the missions, above. The military dining facilities are considered in Chapter 5, above. The commissary stores will be considered here.

Figure 16-2, below, depicts the structural organization of the commissary store system.

The Department of the Army Deputy Chief of Staff for Logistics (DCSLOG) furnishes planning, policy, and procedures for all facets of commissary store operations. The US Army Troop Support Agency (USATSA) is the operational element under the direction of DCSLOG. The five regional field offices administer and control the commissary stores. There is one regional office in Europe and four in the Continental United States (CONUS). The Far Eastern Commissary Stores are operated under the Western Field Office.

Civilian employees constitute approximately 90 percent of the total manning of the commissary stores. Key supervisory and employee positions, however, are generally filled by active duty military personnel.

Commissary store patrons are limited by law to active duty military personnel and their dependents, retired personnel and their dependents and to survivors of active and retired personnel (See Appendix 16-A for a profile of the authorized patrons of the commissary stores in time of peace). While the number will vary with the opening, phasing down, or closing of posts, camps, and stations, there are approximately 150 Army commissary stores worldwide which are approximately evenly divided between CONUS and overseas.

4. Description of Alternative Systems.

Two possible alternatives to the commissary system:

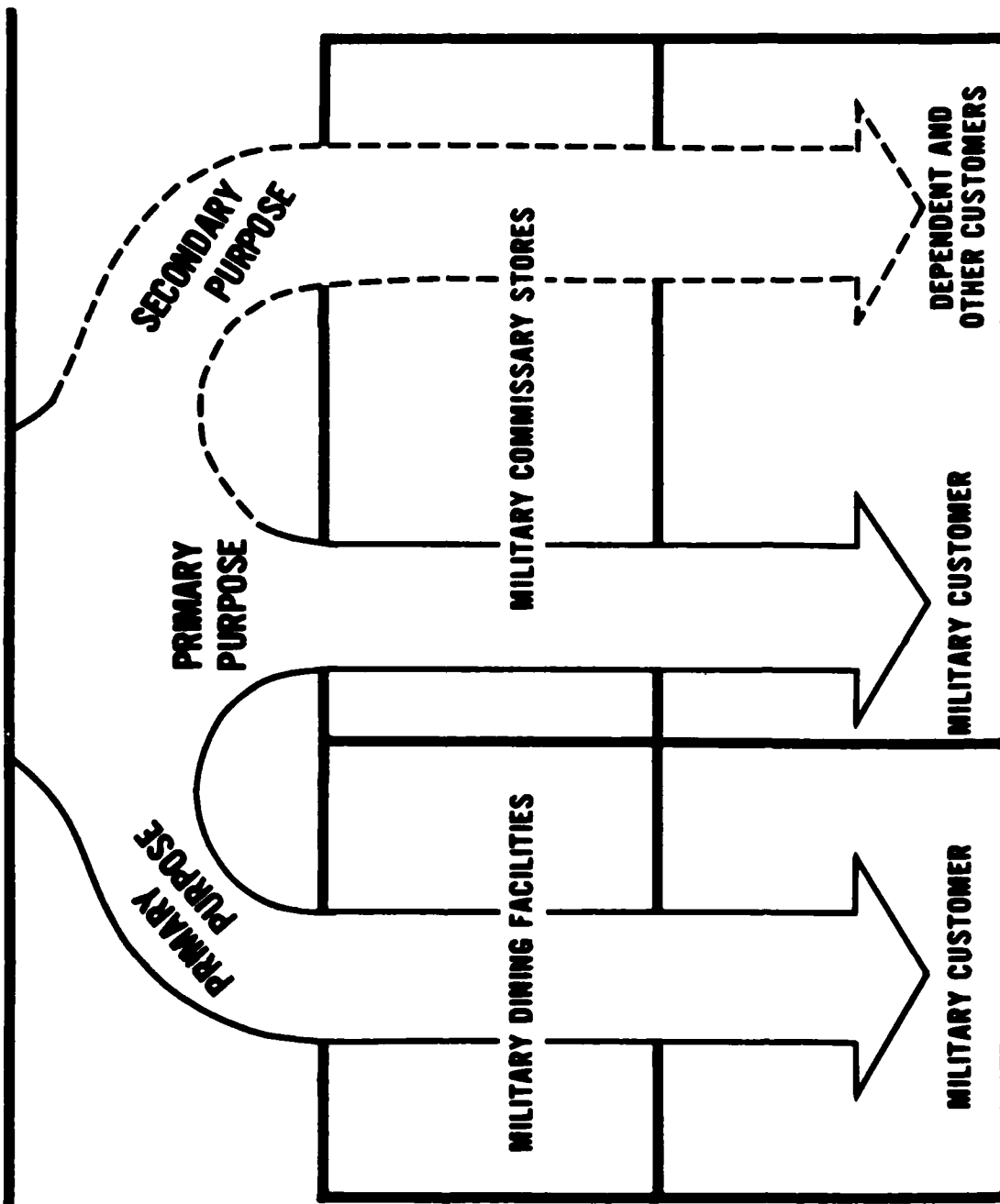
- (a) Eliminate existing commissary stores, or
- (b) Allow one or more civilian supermarket chain(s) to assume commissary operations on all Army installations.

5. Analysis of Present System.

a. The current commissary system will be analyzed below in terms of effectiveness, economy, efficiency, equity, and psychosocial aspects.

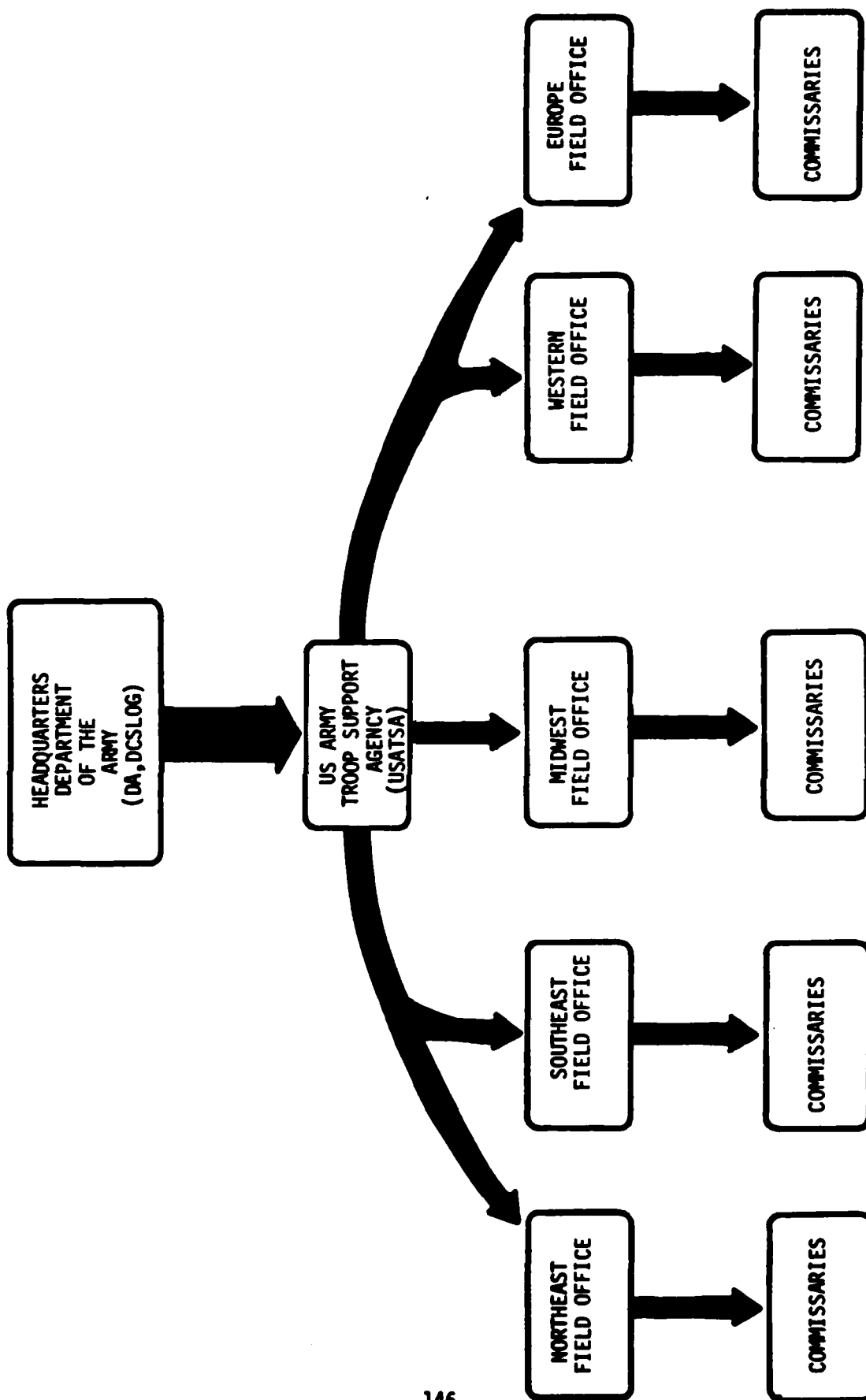
Figure 16-1

THE U.S. ARMY COMMISSARY FUNCTIONAL OPERATION SYSTEM



SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE, THE PENTAGON, WASHINGTON, D.C.

Figure 16-2
THE U.S. ARMY COMMISSARY ORGANIZATION
(COMMISSARY STORE SYSTEM)



SOURCE: US ARMY MILITARY COMPENSATION TASK FORCE, THE PENTAGON, WASHINGTON, D. C.

b. Effectiveness.

The commissary system, in supplementation of the Army's food-in-kind system, provides the principal means of maintaining the U.S. food "pipeline" in readiness to support American troops in any contingency. The commissary stores that sustain U.S. Army troops and other authorized patrons in peacetime will in wartime be immediately converted to support U.S. Army troops only. The non-military patrons will be replaced with the newly-committed U.S. Army troops. Non-military consumers, accordingly, perform the necessary function in time of peace--at minimal or no cost to the Government--of being the basis for sustaining an adequate-sized food pipeline in a ready status for any military mobilization and/or operation by U.S. military forces.

Non-military patrons in peacetime also serve an additional function. They are the basis for the readiness of an adequate number and type of aircraft and naval ships for transportation of the food and other items necessary to support military members in time of war.

c. Economy. Given the mobilization mission-size military force, the costs of the Army food system to support that force is determined by the active and "mothballed" resources necessary to sustain it. There must be on hand sufficient resources of land, buildings, including dining and commissary facilities, furnishings, air, sea, and ground transportation, storage facilities, fork lifts and other warehouse items of equipment, cold storage equipment, capital goods and services, and personnel and utilities to fulfill the mission of feeding the mobilization mission-size force, regardless of the existing-size military force.

Since the mission-required resources are fixed at the stipulated contingency mission level, they are "sunk costs" and the expendables are the only variable or incremental cost incurred in the operation of the military commissary system up to the mission level capacity of the system, or "the margin", at which point resources other than expendables become variable, or marginal.

In summary, the marginal costs of the military commissary system up to the mission-level requirement are zero. Based upon the mission and the requirement of that mission, above, costs of the commissary store system should be established and allocated as depicted in Figure 16-3 below.

d. Efficiency.

Reducing the constraints on commissary store managers would tend to improve the efficiency of the commissary store operation.

Figure 16-3
U.S. ARMY COMMISSARY STORE SYSTEM
RESOURCE COSTS, AND COST ALLOCATION

RESOURCE COST ELEMENTS	PRESENT COST ALLOCATION		PROPOSED COST ALLOCATION	
	NATION	MILITARY MEMBER	NATION	MILITARY MEMBER
Land Buildings, and Maintenance Buildings (construction thereof) Facilities Maintenance Equipment (including furnishings) Equipment Maintenance	X X X X X		X X X X X	
Capital Goods and Services: Consumable Supplies Other Supplies Losses (shrinkage, spoilage, and pilferage) Linen Services and Laundry	X X X X X		X X X X X	
Utilities: Utilities	X X		X X	
Labor: Military Pay Civilian Salaries Other Purchased Labor Services Travel of Personnel		X X X X X	X X X X X	

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D.C.

For example, commissary personnel costs could probably be reduced without loss of effectiveness if the commissary store manager had authority to change the "mix" of full-time and part-time employees to approximate the mix that private industry has found to be most efficient.

Other changes that would tend to improve the efficiency of the commissary operations are adopting a more flexible food purchasing system to take advantage of fluctuating market prices in the wholesale market and offering periodic sales and "loss leaders" to clear slow moving merchandise that is unnecessarily tying-up capital.

e. Equity.

All eligible personnel have an equal opportunity to use the commissary resale store. However, the degree of use of the benefit will be affected by geographical accessibility to the facilities, facility service hours, availability of desired merchandise, individual and/or family patronage, buying habits, and market orientation including knowledge of military and civilian store comparative prices.

f. Psychosocial Aspects.

The Army Commissary System is a vital element in the total Army Community. Scientific surveys show that Army personnel rank the commissary benefit second only to medical care as their most important benefit.

The commissary is a locus of interaction among Army families. It is a base for the ultimate involvement of "the military family" that is necessary for the building of the esprit de corps essential to a successful Army. Every time the commissary is used, this feeling of "one body and one spirit" is reinforced. Commissary stores, as the surveys indicate, play an important role in attracting and/or retaining personnel within the military.

6. Analysis of Alternative Systems. The alternatives to the current commissary system -- i.e., elimination of existing commissary stores or allow one or more supermarket chain(s) to assume commissary operations on all Army installations--will be analyzed below in terms of effectiveness, economy, efficiency, equity, and psychosocial aspects.

(a) Effectiveness. In terms of effectiveness, both alternatives would not provide for the accomplishment of the mission as defined in paragraph 1, above. Moreover, this would, in the case of the "supermarket" alternative, constitute a reversion to the

"sutler system" that previously resulted in so many abuses.

(b) Economy. The Nation's resources required to support the Army food program would remain approximately the same under either alternative. Only the "mix" of Government and civilian resources would change. The change would mean, however, an increase in Government costs -- assuming Government increased the food allowance commensurately in the degree of the higher prices for goods and services by the conversion from a non-profit Army food system to a private industry profit system. This increased cost would be compounded under the first alternative in the amount of transportation costs from on-post residence to off-post supermarket. There would also be a net increase in costs in terms of Nation resources by the military and civilian duplication of transportation, storage, and operating facilities to support the Army food program.

(c) Efficiency. Under both alternatives, items may not be available in an adequate quantity, quality, price and within a reasonable distance. Also, private industry would be reluctant to accept operation of commissaries at smaller posts, camps, or stations due to the potentially higher average operating costs.

(d) Equity. There would be a significant loss in the military member's real income under both alternatives in the amount of the increased prices for goods and services.

(e) Psychosocial Aspects. Either alternative to the current system would result in an adverse morale impact on military members.

7. Comparison of Present/Alternate Systems.

A comparison of the present system versus the possible alternative systems reflects the following:

a. Effectiveness. The current system is more effective than the alternative systems. It accomplishes the primary purpose of the commissary system -- i.e., provides food items in times of peace and war to U.S. Army troops and fully supports the U.S. contingency food "pipeline" by assuring that in time of war there will be adequate food for mobilized U.S. Army troops.

b. Economy. The total cost of food items under both alternatives would be considerably more to the service member than under the current system. The Nation's total cost would be more under the alternative systems. This assures the Government would protect the military member from loss of real income by increasing the food allowance. In any event, there would likely be higher average costs because of the duplication of facilities.

c. Efficiency. Current system allows for items to be available at a reasonable price, quality, quantity and within a reasonable distance. This would probably not be true for the alternative systems for the reasons stated, above.

d. Equity. Only under current system would there be no loss of real income to the service member.

e. Psychosocial Aspects. Either alternative, if adopted, would have a serious negative morale impact on both active and retired personnel. The current system plays an important role in attracting and/or retaining personnel within the U.S. Army.

8. Conclusion.

The cost of the commissary benefit is relatively small. It amounts to less than one percent of the entire Department of Defense budget. However, the psychosocial value of the benefit to military members is great, and, in terms of cost effectiveness, far exceeds the monetary costs thereof.

This, plus the fact that the national security requirement for the feeding of U.S. Army troops in wartime is based upon the peacetime existence and operation of the commissary store system, compel the conclusion that the present commissary store system with the improvements specified be retained and its costs be allocated as indicated in Figure 16-3, above.

9. Recommendation.

The commissary store system should be retained and its cost should be allocated as indicated above.

CHAPTER 17

THE MILITARY EXCHANGE SYSTEM

"Trade is a social act."

- John Stuart Mill, 1859
British Philosopher

1. Introduction:

The Military Exchange System in its present and forerunner form has supported the U.S. Armed Forces from the Revolutionary War to the present day. Over this 200-year period, exchange-type articles and services have been provided to American fighting men and women wherever stationed in every part of the globe.

The Army Exchange system, a part of the combined Army and Air Force Exchange Service (AAFES), has the mission of supporting Army posts, camps and stations with Post Exchange (PX) services.

2. Description:

Figure 17-1 depicts the organization of the Exchange System. (AAFES).

The headquarters of the AAFES furnishes the major administrative and staff elements--such as audit, plans, procurement, and engineering--necessary for the operation of the system. The seven regional offices administer and control the individual post exchanges: five are in CONUS, one is in Europe and one is located in the Pacific.

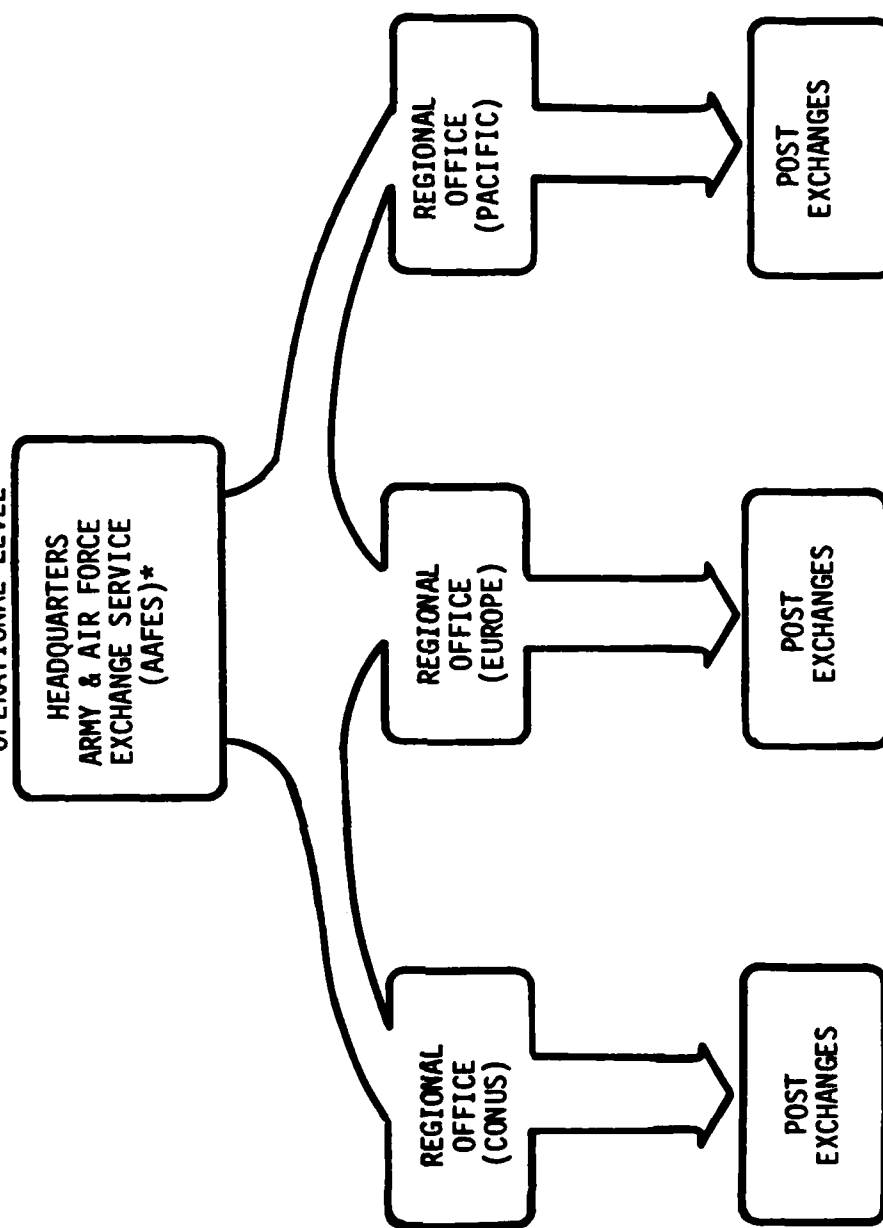
Post Exchange store patrons, authorized by law, are active duty military personnel and their dependents, retired personnel and their dependents, survivors of active and retired personnel, and members of the Reserve Components.

The Army exchange system either markets merchandise and service itself, or subleases its exchange facilities for concession marketing.

Army posts, camps or stations typically have the following Post Exchange services:

- a. General retail merchandising stores

Figure 17-1
U.S. ARMY EXCHANGE SYSTEM
OPERATIONAL LEVEL



* Includes both Army and Air Force Exchanges.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D. C.

- b. Food and cafeteria facilities
- c. Vending operations
- d. Catalogue sales

Additionally, many Army posts also have:

- a. Gas station and garage service facility
- b. Barber and beauty shop
- c. Laundry and dry cleaning shops
- d. Photo finishing and camera repair
- e. Watch repair
- f. Tailor and seamstress shops
- g. Outdoor recreation and facilities equipment shop

3. Discussion.

a. The benefits accruing to the service member and the Nation from the military exchange system include:

- (1) the ability to purchase goods and services at a reasonable, and sometimes reduced, cost.
- (2) the convenience of having the Exchange Service store in the vicinity of the service member's work and living locations.
- (3) ability to find familiar U.S. merchandise wherever the Armed Service member is stationed throughout the world.
- (4) the knowledge that if combat is necessary, the Exchange Service will be available in a combat zone to support the service member.
- (5) the ability to control the total utilization of the Exchange Service for the benefit of the Nation, and to convert the system in time of war to a "military pipeline" of goods and services, to assure that military members have access to desired goods and services.
- (6) the fact the Army central post funds for recreation and welfare are derived from profits generated by the Exchange Service.

b. The costs to continue the Exchange Service are:

- (1) the land space for the Exchange Service facilities.
- (2) the cost of utilities used by the Exchange Service.
- (3) the supply of police and fire protection of the Exchange Service facilities on Federal property.

(4) the utilization of Government-supplied transportation to support the Exchange Service's overseas locations.

4. Analysis of the Present System.

The Military Exchange Service's effectiveness is measured by the system's ability to make specific retail merchandise and/or services available to the potential customer in the appropriate quantity and quality, at a reasonable price, and at minimum possible operating costs.

The Military Exchange Service is generally considered to be effective.

There are, additionally, important psychosocial aspects of the Exchange Service. They derive from the fact that the Exchange Service functions as the main shopping service area for the post, camp or station which it serves. As such, the Exchange Service is the center of commerce--the business center or "downtown area"--for the service member.

There are, moreover, profits from the sales of these goods and services to service members. What may not be known, however, is that these profits are returned to the service members in the form of nonappropriated fund support for the military recreation and welfare system. In the absence of this nonappropriated fund support, either the service members would be denied the present level of recreation and welfare services, or the Congress would be asked to fund these services with a greater amount of appropriated funds.

5. Conclusions.

The Exchange Service fulfills a vital role in providing for the welfare of the members of the military community. It provides basic retail merchandise services, at reasonable prices, to military members and their families whose transitory assignments often limit their opportunities to purchase such items and services at favorable local market prices. For those service members and their families serving in overseas locations, it is often the Exchange Service that brings needed or desired American goods to the Army member.

The Exchange Service fulfills another vital role in generating profits from the sales of goods and services to service members. These profits support the military community as nonappropriated fund support for the service member's recreation and welfare service. Thus, in this degree, the military service members themselves--not the Nation--support their own recreation and welfare services.

CHAPTER 18

RECREATION AND SPACE AVAILABLE TRAVEL

"It is hereby declared to be the policy of the Government to encourage and promote the religious, moral, and recreational welfare and character guidance of persons in the Armed Forces and thereby to enhance the military preparedness and security of the Nation."

- Harry S. Truman, 1948

1. Introduction. The Recreation and Space Available Travel (SAT) programs implement the recreational and welfare policy, above.

2. Recreation.

a. General.

The mission of recreation services programs is: (1) to increase the effectiveness of the Army by assisting commanders in enhancing the physical and mental fitness of Army personnel through planned and spontaneous recreational activities and (2) to achieve and maintain the morale of Army personnel by making the services available to them and their families.

b. Description.

There are seven core programs that support the mission:

- (1) Sports and physical fitness
- (2) Skill development (arts and crafts)
- (3) Music and theatre
- (4) Outdoor recreation
- (5) Libraries
- (6) Recreation centers
- (7) Dependent youth activities

Other leisure-time activities (for example, officer, NCO, and EM clubs; flying clubs; rod and gun clubs) supported by nonappropriated funds complement the seven core recreation services programs.

c. Discussion.

Army recreation services programs include activities that are intended to improve individual performance and increase mission readiness. Among other functions, these programs encourage the growth of the mission-related qualities of leadership, precision of execution, teamwork, self-discipline, and physical fitness.

Whether as participants and/or as observers, military personnel are provided with a mission-supportive, wholesome, and productive outlet for their leisure-time energies.

Recreation services programs are a necessary part of the Army's support mission to military members because they foster institutional unity and demonstrate real concern for the welfare of military personnel and their families.

d. Conclusion.

Recreation services are essential, mission-related programs that increase the effectiveness of the Army by assisting commanders in maintaining the morale and the physical and mental fitness of Army personnel.

In view of their essentiality, they are a Government cost of doing business.

3. Space Available Travel (SAT).

a. General.

Military members and their families, under specified conditions, are eligible for space available travel on a no-charge basis.

Space available air travel by military aircraft is that space which is available after all official duty travel has been accommodated on aircraft operated by or for the Department of Defense. The Air Force's Military Airlift Command (MAC) is the operating agency for the space available service. *

* Travel by surface was available at one time, but is no longer offered since the Military Sealift Command has discontinued operation of all passenger ships.

b. Description.

Space available air transportation is available to eligible military members and families worldwide.

Categories and priorities for eligible military members and families are:

(1) Movement within CONUS:

- (a) Active duty military personnel on emergency leave;
- (b) Active duty military personnel on ordinary leave;
- (c) Medal of Honor holders;
- (d) Unaccompanied retired military personnel, members of reserve components, and ROTC students in advanced training.

(2) Movement between CONUS and Overseas:

- (a) Family emergencies -- dependents of active duty personnel when both are stationed overseas (in emergencies, the member-sponsor would travel on a space-required basis);
- (b) Active military members on ordinary, reenlistment, or convalescent leave;
- (c) Secondary school student dependents (only one annual round trip authorized);
- (d) Retired military personnel and dependents when accompanied by their retired sponsors.

(3) Movement within Overseas Areas:

- (a) Emergency leave -- same as 3b(2)(a), above.
- (b) Ordinary leave -- same as 3b(2)(b), above.
- (c) Students -- same as 3b(2)(c), above.

(d) Retired military personnel and dependents when accompanied by their retired sponsors.

Eligible personnel in each category are furnished space available transportation on a first-come, first-served basis.

c. Discussion.

The law provides for space available transportation as an administrative privilege: "Officers and members of the Military Departments, and their families, when space is available, may be transported on vessels operated by any military transport agency of the DOD." 10 U.S.C. 4744.

Overall, the great bulk of the seats over major military passenger and cargo air routes are filled by official duty passengers. The remaining seats are available for space available travel.

The marginal cost of space available travel to the Government is essentially zero, since DOD incurs approximately the same transportation costs even if no space available travelers were transported.

d. Conclusions.

Space available passengers are transported only when they can be accommodated.

There are no significant additional costs incurred by the Government because of this travel.

The program is an attraction, motivation, and retention factor for military personnel.

e. Recommendation.

The space available program should be continued as an administrative privilege.

V. THE "X" FACTOR PAYMENT IN MILITARY COMPENSATION

CHAPTER 19

MILITARY CONDITIONS OF SERVICE

"War at best is barbarism....I am tired and sick of war....It is only those who have neither fired a shot, nor heard the shrieks and groans of the wounded, who cry aloud for....more desolation. War is hell (underline supplied)."

- William Tecumseh Sherman
General, United States Army

1. Introduction. Military compensation, like civilian compensation, is determined by (1) the level, quantity, and quality of services rendered and (2) the conditions, favorable or unfavorable, under which the services are rendered.

There are some military and civilian positions that involve similar services such as military and civilian policemen. There are some that involve dissimilar service such as the tank gunner or field artilleryman for which there are no civilian counterparts.

Whether the services are similar or dissimilar, the conditions under which the services are rendered are normally vastly different.

The military member, unlike the civilian, typically renders his or her services under conditions that involve, at all times, potential, if not actual exposure to lethal fire. There are, as well, other differences in the conditions under which military and civilian services are rendered.

The purpose of this chapter is to identify, categorize, and compare these conditions of service.

2. Military Conditions of Service.

a. Personal and Family.

Figure 19-1, below, depicts some of the more significant favorable and unfavorable conditions of military service that affect service members and/or their dependents.

Figure 19-1
MILITARY FACTORS
(PERSONAL AND FAMILY)

<u>FAVORABLE</u>	<u>UNFAVORABLE</u>
<p>The Army Community, its associations, and the way of life.</p> <p>Medical services: out and in-patient, for active and retired Army personnel, spouses, and the minor dependents</p> <p>Off-duty travel opportunities: on military vessels, on a "space-available" basis and on commercial aircraft on a discount on price if on leave orders</p> <p>Great emphasis on equal rights and opportunities for all personnel regardless of race, origin or religion</p>	<p>Mission versus family</p> <p>Loss in some degree of normal freedoms</p> <p>Speech</p> <p>Political</p> <p>Broken friendship relations due to frequent moves</p> <p>Family separations, disruptions</p> <p>Military/civil law restrictions</p>

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

-- Favorable Conditions.

---The Army community. Perhaps the single most uniquely favorable condition of service in the Army is the "way of life". Scientific surveys show that over one-third of Army personnel repeatedly specify "challenge", "adventure", and "job satisfaction" as the primary reason for their decision to make the Army a career. The Army allows each member to share each of the following aspects of a military profession: service to country, hardship experiences, and a mutual dependency upon neighbors, friends, and contemporaries. The value of "the Army community", group membership and group cohesion is so great that the ability to effectively function as an Army team in combat is directly related to and dependent upon the individual's commitment to and dependency upon the group. The on-post Army way of life is a basic foundation of esprit de corps.

---Medical Services.

Medical and health care services provided to the service member who is injured or ill are of great benefit, not only to the military member but to the Nation as well because a healthy, combat-ready force is essential to the security of the Nation.

Additionally, this benefit is available to the military members' dependents; which is a considerable morale factor to the military member who knows that "if anything happens to me, my family will be taken care of".

---Off Duty Travel Opportunities. Off-duty travel is travel that is available to military personnel on military transportation on a space available basis while on official leave or pass. This travel is provided at no or small marginal cost to the Government.

---Equal Rights and Opportunities. Persons who are members of minority groups have equal job opportunities regardless of race, creed, or national origin.

-- Unfavorable Conditions.

---Mission Versus Family. The needs of national security, require that an individuals' family be considered secondary in importance to the overall mission accomplishment of the Army.

---Loss of Certain Civil Rights. Service members, in the acceptance of military service, forfeit some of the constitutional rights typically held by most other Americans. The right to vote in elections, although not legally denied, is significantly reduced as a practical matter through the comparative

complexity of the absentee voting system. Military service members' freedom of speech is lost in varying degrees: for example, unlike the civilian, the military member may not speak disrespectfully of a superior, including the Commander-in-Chief, under military law sanctions. The military service member who fails to meet his or her requirement to arrive at work or duty station regularly and/or on time is subject to, among other things, criminal punishment normally ranging from a fine to imprisonment.

---Frequent Moves. Frequent involuntary relocation normally results in both monetary loss and psychological stress to the service member and his dependents. The transient nature of service personnel, unlike the typical civilian family, makes it difficult to "impossible" for military family members to obtain employment, or if employment is obtained, it is often of a nature that is less than the experience of the individual.

---Family Separation. A military career typically spans a 22 year period, of which approximately one-tenth represents service in a combat zone. Further, military members spend an average of two and one-half years (in addition to time in a combat zone) in other permanent assignments at locations where their families are not permitted. In addition to the above, military personnel are frequently ordered to perform temporary duty away from their homes.

---Military/Civil Law Restrictions. Military personnel are, as are all other citizens, subject to the laws of the land. They are, in addition, subject to special military criminal laws under the Uniform Code of Military Justice(UCMJ). Military personnel placed in confinement in the civilian community may also be charged by the military with unauthorized absence under military laws. Moreover, civil authorities in communities near major installations will often report to military authorities concerning allegations of illegal behavior of military personnel to include traffic offenses, which become a part of local military records and tend to reflect on the service members' performance, evaluation, and promotion.

b. Home and Personal Finances.

Figure 19-2 below depicts some of the more significant favorable and unfavorable conditions of military service that affect service members and/or their dependents.

-- Favorable Conditions.

---Federal Income Tax Exemptions. Since World War II, military personnel in a designated combat area have been granted

Figure 19-2
MILITARY FACTORS
 (HOME AND PERSONAL FINANCES)

<u>FAVORABLE</u>	<u>UNFAVORABLE</u>
<p>Federal income tax exemptions: in wartime if in a combat zone, no tax on enlisted person's income or on a portion of officer's income</p> <p>No state taxes on income in some states</p> <p>Implicit cost of on-post housing, if available, is often lower than in surrounding civilian community</p> <p>On-post discount facilities (PX, Commissary, Off/EM Clubs, Service Clubs, Craft Shops, etc) for active and retired Army personnel, spouses, and minor dependent children</p> <p>Retirement after 20 or more years active service.</p>	<p>Moves</p> <p>Less stable home environment</p> <p>Property damage, loss</p> <p>Loss of freedoms</p> <p>Choice of home location</p> <p>Unequal job opportunities for dependent job seekers</p> <p>Limited equity investment opportunity</p> <p>Timing of sale/lease of home on moves</p>

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

a tax exclusion on a part of their federal income tax. For example, during the Vietnam hostilities, officers were not required to pay federal income tax on a portion of their monthly basic pay and enlisted personnel were not required to pay any federal income tax.

---State and Local Income Taxes. Some states do not require service personnel, stationed outside their legal residence, to file a state income tax return on military income.

---On-Post Housing. The imputed rent for on-post military quarters is sometimes less than that for similar housing found in surrounding civilian communities.

---On-Post Facilities. Numerous on-post facilities provide a wide range of convenience, and in some cases, discount shopping and entertainment opportunities for service personnel and their dependents. Among the major facilities are: commissary, post exchange, theater, officer and enlisted clubs, service clubs, golf courses, bowling alleys, craft shops, and service stations.

---Retirement System. Military retirement is normally vested after 20 years of service.

-- Unfavorable Conditions.

---Frequent Moves. The transient nature of military service precludes, as a practical matter, members from owning a home--i.e., scientific surveys show that, on the average, less than 10 percent of all Army personnel own or are buying a house. However, a number of military personnel do own furniture. Frequent moves typically mean more damages to household goods occur than in the civilian community. While this is partially compensated for by the military claims service, which pays approximately 85% of the claimed loss involved in a move, the balance of the repair or replacement is borne by the service member.

---Sale or Lease of Home. The approximately 10 percent of Army members who own or are buying their home are often placed in a precarious financial position when attempting to sell or lease their home. Upon receiving permanent change of station (PCS) orders, this transaction (sale/lease) must often be completed in a "buyers' market"; i.e., the homeowner is, as a practical matter, often forced to either sell or rent his residence on a "first come, first served" basis--often at a considerable financial loss. The service member has little, if any, control over the timing of his PCS assignment orders.

c. Occupation.

Figure 19-3 outlines the favorable and unfavorable occupational conditions of military service.

-- Favorable Conditions.

---Unique Challenges. A service career, unlike most careers in the civilian sector, offers a young man or woman many unique and challenging opportunities that test and mold one's character at a relatively early age. Both officers and NCO's are faced with a wide variety of leadership-oriented situations which they would not normally encounter, if ever, had they elected another career. Unlike most other occupations, military service demands that its leaders at all levels fulfill, not only the occupational role, but two roles: (1) the accomplishment of the occupational objective or mission and (2) the welfare of subordinate personnel. Military leaders must, as a part of the military way of life, become involved and aware of their subordinates' personal lives, desires, and problems. In short, military service to a career member is not only an occupation or profession, but is a "way of life" in service to and for our country.

---Educational and Travel Opportunities. Service personnel have access to a wide variety of educational and travel opportunities. Through the Army education and training programs, military members are afforded the opportunity to expand their schooling and/or learn a trade that may be beneficial to them upon leaving the service. In most cases, this opportunity is offered at minimal or no charge to the individual.

---Desire to Serve Our Country. Although not precisely quantifiable, the desire to serve our country ranks high in the list of reasons why an individual ultimately elects to make the service his or her career. Sharing in this role, whether driven by patriotism or some other intangible force, becomes a rewarding, self-satisfying and challenging career endeavor to those persons who chose it.

---Need For Group Membership. World War II sociological studies indicate that the individual who accepts group motivation and group responsibility is the most successful peacetime and wartime soldier. Virtually all military members desire, accept, and function well within the bounds of group membership.

---Opportunity To Mature. (See description in paragraph 2c, above, concerning the unique challenges of a service career).

Figure 19-3
MILITARY FACTORS
(OCCUPATION)

<u>FAVORABLE</u>	<u>UNFAVORABLE</u>
<p>Unique challenges offered by a service career-- a way of life</p> <p>Service career offers educational, leadership, travel and other opportunities not commonly found in any other profession</p> <p>Satisfaction of desire to serve our country in uniform</p> <p>Opportunity to mature both personally and professionally</p>	<p>Loss of economic flexibility to</p> <p>Change jobs Select superiors Income bargain</p> <p>Service environment often severe -- combat training, war</p> <p>Overtime without pay</p>

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

-- Unfavorable Conditions.

---Loss of Economic Flexibility. Frequent relocation due to the repeated changes of post, camp, or station of the individual service member often results in considerable monetary estate loss. Perhaps the single most costly aspect of frequent relocation within the military is the relative inability of service members to build up any appreciable equity in a home. Unlike his civilian counterpart, the service member is unable to purchase a home and live in it for a number of years. Inflation within the housing market has often allowed those people who own their own home to realize a considerable increase in their equity. Additionally, a home owner realizes a significant amount of tax advantage by being able to claim such items as property tax and mortgage loan interest--the two largest federal income tax deductions in amount--on his federal income tax return.

---Service Environment Often Severe. Military personnel are exposed to danger not only in combat, but also in combat training and routine day to day operations, such as exposure to mines, grenades, etc. Also, high explosive noise levels have been a factor in significant hearing loss in over 45 percent of career infantrymen, tankers, and artillerymen.

Combat, the primary purpose for which the armed forces are maintained, is the epitome of anxiety-producing situations. No other profession can equate to the stresses and hazards involved in participating in combat. The military profession's requirement of deliberate risk of loss of life imposes severe stresses, and involves the deepest anxieties by its primitive threat to personal survival. Personal adjustment to combat means not only adjustment to killing or being killed or wounded, but also adjustment to danger, frustration, uncertainty, noise confusion, and challenges to the faith in one's comrades, subordinates, and superiors.

---Overtime Without Pay. The military has no provision to provide monetary compensation to service members for work performed beyond the standard 40 hours per week. The requirement for operational readiness as well as the normal understrength condition of many military units precludes the adoption of a standard 8 hour workday. All service personnel, unlike their civilian counterparts, are subject to duty on a 24 hour basis because of their unique military role, as stated above, of first, accomplishment of the mission and secondly, the welfare of the individual military members.

d. Education.

Figure 19-4 shows the favorable and unfavorable educational conditions of military service.

Figure 19-4
MILITARY FACTORS
(Education)

<u>FAVORABLE</u>	<u>UNFAVORABLE</u>
An opportunity for spouses, and children to broaden themselves by residence and travelling in foreign countries	<p>Frequent change of children's schools due to frequent moves</p> <p>Varying quality of schools or no schools for children</p> <p>Unstable academic environment</p>

SOURCE: U.S. Army Military Compension Task Force, The Pentagon, Washington, DC

-- Favorable Conditions.

---Opportunity For Family To Broaden Themselves. Unlike the majority of civilian families, the service family is afforded an invaluable opportunity to travel extensively and live in a wide variety of geographical areas throughout the United States and overseas.

-- Unfavorable Conditions.

---Frequent Change of Children's Schools. A service family on the average, is moved at least once every three years. These frequent moves and resulting changes of schools are disrupting and often emotionally disturbing to children. Not only must they face losing their friends, but also they cannot look forward to participating, on a continuing long-term basis, in school social and/or athletic groups such as sports teams, choir, band etc.

---Varying Quality of Schools and/or No Schools Available. Service members have little or no control over the selection of their childrens' schools. Schools for dependent children vary in quality from exceptionally outstanding to adequate, and in some cases, extremely poor. A student transferring to one of the lower quality schools will, in some degree, suffer academically. In some areas of the world where service personnel are stationed with their dependents, schools are not available; e.g., various locations in West Germany. The nonavailability of schools within a reasonable distance of the family residence requires that either the children remain in the United States and live apart from their family or live apart from the family during the school week and return home on the weekends. Either alternative can, and often does, lead to serious learning, emotional, and family problems.

---Unstable Academic Environment. Closely associated with the quality of schooling available to military dependent children is the aspect of various schools not providing a consistent, academic program; i.e., a student may elect to pursue a technical field at one school only to find that at his new school no courses are offered in that particular field.

e. Life Expectancy.

Figure 19-5 outlines the favorable and unfavorable conditions of service pertaining to life expectancy.

-- Favorable Conditions.

---Service personnel have the option of being covered under Group Life Insurance which is provided at nominal cost.

Figure 19-5
MILITARY FACTORS
(LIFE EXPECTANCY)

<u>FAVORABLE</u>	<u>UNFAVORABLE</u>
Reasonably low rates for group life insurance	Greater death and injury expectancy Stress on family due to hazards to uniformed member Ever-present potentially of forfeiting life at any time

SOURCE: U.S. Army Military Compensation Task Force, The Pentagon, Washington, DC

-- Unfavorable Conditions.

---Death and Injury Expectancy. In peacetime, the military death rate is approximately double the civilian rate. Combat training represents a hazardous condition. In wartime, the military death rate is compounded proportionately.

---Stress On The Family. Dependents of service personnel share in the anxiety brought about by the military members being subjected to a wide variety of potential injury and/or death situations, above. In periods where the military member is assigned to a combat zone, the constant feeling of fear and worry upon the part of the dependent is at its highest.

---Forfeiting Life at Any Time. Undoubtedly, the most uniquely unfavorable aspect of a military career is the potential to forfeit one's life at any time.

3. Civilian Conditions of Service.

The following list of favorable conditions are generally recognized as being characteristic of civilian employment:

- . Not subject to forfeiting life as a condition of employment.
- . Relatively stable home environment.
- . Favorable working hours and conditions.
- . Not subject to two legal systems.
- . Opportunity to buildup equity in home.
- . Allowed to participate in employee representative groups.
- . Free to change employment at any time.
- . Few or no directed personal appearance or clothing standards.
- . Not typically subject to employment in extreme environments.
- . Compensated for overtime work performed.
- . No forced early retirement.
- . No loss of certain civil rights.

The following list of relatively unfavorable conditions appear to be characteristic of civilian employment:

- . Often not eligible for retirement until 55-62 years old.
- . Limited injury or medical leave benefits.
- . Vacation periods in beginning employment are often limited.

4. Compensation For Conditions of Service.

a. Special Pays and Allowances (SPA).

(1) Civilian. In the civilian sector, the specific condition of service associated with specific jobs, such as drivers of explosive trucks, are specifically compensated.

(2) Military. In the military service, the specific conditions of service associated with specific positions are sometimes compensated and sometimes not compensated. For example, in the military service a driver of an explosive truck is not specifically compensated for this condition of service. However, in some cases--e.g., individuals who defuse live explosive ordnances--military members are compensated in the form of a special pay. (See Chapter 9 for a discussion of these pays).

b. The "X" Factor.

(1) Recognition.

(a) US Military. The United States has at no time in its history specifically recognized or compensated the unfavorable conditions of military service--the so-called Military "X" Factors--shared by all Army members.

(b) Other Military Services (Foreign). Great Britain, Canada, and Australia recognize and compensate their military members for the Military "X" Factors.

(2) Compensation.

(a) General Considerations. Most of the military conditions of service described above apply equally to all military personnel. For example, in general, all personnel are equally subject to family separations, varying quality of schools, unstable academic environment for children etc.

(b) Specific Considerations. Some of the military conditions, however, apply to different groups of military personnel in different degrees; for example, in combat, the exposure to enemy fire of an infantryman is greater than that of a combat service support member; e.g., a mechanic working in the rear area. Additionally, the actual living conditions of an infantryman are far inferior to those of a rear echelon soldier.

5. Conclusions. Based upon the analysis, above, it is concluded that:

a. The undesirable conditions of the military service are greater than those in a civilian occupation.

b. Civilian personnel typically receive compensation, in some form, for the undesirable conditions associated with their occupations.

c. Military personnel should likewise receive compensation, in some form, for the undesirable conditions of service associated with their occupation.

6. Recommendations. It is recommended that:

a. Current Special Pays and Allowances be retained (and subjected to periodic review) for specific conditions of military service.

b. Compensation be instituted for the on-going military conditions of service, or the Military "X" Factors, as follows:

(1) Recognize the Military "X" Factors which are defined as including, but not limited to, such actual and/or potential conditions of service applicable to all personnel over their entire military career. This would include such items as combat exposure (actual/potential), frequent relocation, family separation, overseas duty, overtime, and field/sea duty. Treating this factor as one which could not be accurately estimated, would cause this factor to be compensated for at an arbitrary level, in the range of 5-15 percent of military compensation.

(2) Recognition of the Military Factors, above, is specifically distinguished from other uniquely negative factors applying in varying degrees to particular military personnel at specific times and places in their careers. These factors would continue to be compensated by various special/incentive pays e.g., Hostile Fire Pay, Demolition Duty Pay, Parachute Duty Pay, etc.

VI. THE TOTAL COMPENSATION PACKAGE

CHAPTER 20

TOTAL MILITARY COMPENSATION DISPLAY

"Economy can be pushed only to a certain point. It has limits beyond which it degenerates into parsimony...it is essential that...[soldiers] should be able to live on their pay [and allowances]."

- Maurice de Saxe, 1750
Marshal of France

While individual items of compensation are treated in detail in the various chapters, this chapter presents a model of total military compensation.

The display, Figure 20-1 below, presents only the general model. Supporting material is contained in the appendices, as follows:

- Explanation of items shown in Figure 20-1 is at Appendix 20-A.
- The latest available calculations of dollar amounts pertaining to the items in Figure 20-1 are at Appendix 20-B.
- Detailed calculations of dollar amounts for the line items in Section IIC and Section IV of Appendix 20-B are at Appendices 20-C and 20-D, respectively.
- Historical data on the ratio of personnel to hardware costs are shown at Appendix 20-E.

Figure 20-1
TOTAL MILITARY COMPENSATION DISPLAY

Element	Total Compensation Cost		Per-Capita Compensation Cost (\$) ¹
	Amount (\$ millions)	Percent of Total	
I. REGULAR MILITARY COMPENSATION (RMC)			
Basic Pay	xxx	xxx	xxx
Food (Total)	xxx	xxx	xxx
BAS	xxx	xxx	xxx
In-Kind	xxx	xxx	xxx
Quarters (Total)	xxx	xxx	xxx
BAQ	xxx	xxx	xxx
In-Kind	xxx	xxx	xxx
Federal Tax Differential	xxx	xxx	xxx
Total Regular Military Compensations	xxx	xxx	xxx
Less Authorized Military Absences ²	(xxx)	(xxx)	(xxx)
Earnings for Military Services	xxx	xxx	xxx

Figure 20-1 cont
TOTAL MILITARY COMPENSATION DISPLAY

<u>Element</u>	<u>Total Compensation Cost</u> <u>Amount</u> <u>(\$ millions)</u>	<u>Percent</u> <u>of Total</u>	<u>Per-Capita</u> <u>Compensation</u> <u>Cost (\$)</u> ¹
II. MILITARY BENEFITS			
A. <u>Compensation Benefits</u>			
- authorized military absences	xxx	xxx	xxx
• military leave taken	xxx	xxx	xxx
• holidays	xxx	xxx	xxx
• medical absences	xxx	xxx	xxx
- payment for unused accrued leave	xxx	xxx	xxx
- FHA Mortgage Insurance	xxx	xxx	xxx
- severance/readjustment pay	xxx	xxx	xxx
Total Compensation Benefits	xxx	xxx	xxx
B. <u>Mixed Compensation/Non-Compensation</u> <u>Benefits</u>			
Military Estate Program	xxx	xxx	xxx
- Retirement System	xxx	xxx	xxx
• Military Retirement Annuity	xxx	xxx	xxx
• Social Security Annuity	xxx	xxx	xxx

Figure 20-1 cont.
TOTAL MILITARY COMPENSATION DISPLAY

Element	Total Compensation Cost		Per Capita Compensation Cost (\$) ¹
	Amount (\$ millions)	Percent of Total	
- Survivor Benefit Program	xxx	xxx	xxx
- Dependents Indemnity Compensation	xxx	xxx	xxx
- Death Gratuity	xxx	xxx	xxx
Education	xxx	xxx	xxx
Military Medical Care	xxx	xxx	xxx
Total Mixed Compensation/Non- Compensation Benefits	xxx	xxx	xxx
C. Non-Compensation Benefits			
Commissary	---	---	---
Exchange System	---	---	---
Recreation	---	---	---
Transportation (Space Available)	---	---	---
SGLI	---	---	---
Other (See Appendix 18-B)	---	---	---
Total Non-Compensation Benefits	---	---	---
TOTAL MILITARY BENEFITS	xxx	xxx	xxx

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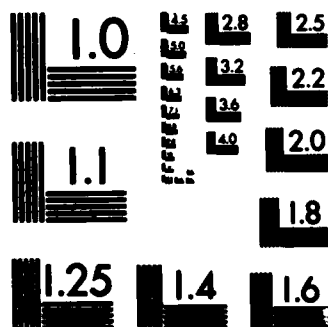
MILITARY COMPENSATION: PAST PRESENT AND FUTURE VOLUME 1 3/3
EXECUTIVE SUMMARY (U) DEPUTY CHIEF OF STAFF FOR
PERSONNEL (ARMY) WASHINGTON DC W S HOLLIS ET AL. 1976

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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

Figure 20-1 cont

TOTAL MILITARY COMPENSATION DISPLAY

<u>Element</u>	<u>Total Compensation Cost</u>		<u>Per Capita Compensation Cost (\$)¹</u>
	<u>Amount (\$ millions)</u>	<u>Percent of Total</u>	
III. TOTAL MILITARY COMPENSATION (Not including Incentive and Other pays and bonuses, below)	xxx	xxx	xxx
IV. INCENTIVE AND OTHER PAYS AND BONUSES	xxx	xxx	xxx
V. MILITARY "X" FACTOR	---	---	---
VI. TOTAL MILITARY COMPENSATION	xxx	xxx	xxx

¹Total Compensation Cost divided by the force size applicable to the amounts presented.

²The cost of Authorized Military Absences is treated as a Compensation Benefit and is included under that category. It is subtracted here to avoid double counting.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, D. C.

CHAPTER 21

COMPARISON OF TOTAL COMPENSATION IN THE MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

"There must be some other stimulus, besides love of country, to make men fond of the service."

- George Washington, 1775
Letter to the Congress

I. Introduction.

The basic step in developing comparisons between the military, federal civil service, and private sector compensation systems is the construction of a model.¹ A necessary prerequisite is the "normalization" of the differences in the elements of the systems. Such a model is presented here with the dissimilar elements "normalized" to allow for a standardized comparison.

The categories selected for the comparison model are:

- Average pay
- Benefits
- Special pays

2. Average Pay.

Before establishing the relative position of the scalar average pay amounts of the three sectors, each sector's average pay must be determined. To accomplish this, the federal civil service and private sector average salary amounts, and the military equivalent thereof--that is, Regular Military Compensation²--will be used.

Given the prevailing absolute average pay levels, as defined above, the average Regular Military Compensation is less than the average federal, civil service and private sector salaries. See Appendix 20-A for details.

This comparison is affected by the composition of the respective working forces.³ The force composition of the military

sector tends to contract in periods of a low level of hostilities and includes a greater proportion of senior higher-paid cadre elements. The reverse would be true in periods of a high level of hostilities. Thus, in a "relative peace" environment, average military pay will tend to rise, giving the impression that military compensation is higher than is really the case.

Force composition is also a factor in the federal civil service. The private sector, due to its relatively large size, is not significantly affected in the short run by work force composition. Only a total mobilization for war appears to be capable of effecting a major change in the work force composition of the private sector.

3. Benefits.

Comparisons of benefits in the three sectors are complicated by the variety of types and purposes of benefits which exist. While average pay, above, is a common denominator in all three compensation systems, the benefit packages (referred to variously as "supplemental" or "fringe" benefits) are usually "tailor-made" for each sector and reflect each sector's individual needs.

To make comparisons of the benefits of the military, federal civil service, and private sectors, a standard comparison model which isolates all benefits into major benefit categories will be used. The three major categories are:

- Compensation benefits
- Non-compensation benefits
- Mixed compensation/non-compensation benefits

The above categories are defined in Appendix 20-A.

Six specific items in the category of benefits are frequently isolated in compensation literature as "the big six". These six items comprise the lion's share of the cost of the total benefits in all three work force sectors. They are:

- Retirement
- Medical care/health insurance
- Medical absences
- Vacation absences
- Holiday absences

-- Life insurance and death benefits

Figure 21-1 thru 21-7 provide a detailed comparison of these benefits.

Appendix 21-B contains the latest available information on all categories of benefits.

4. Special Pays.

The role of special pays (incentive pays and bonuses and premium pays) in the military, federal civil service and private sectors is essentially the same:

- to provide incentives for attraction, motivation, and retention of qualified personnel for occupational positions in which there are actual or potential shortages.
- to provide compensation differentials as a "competitive element" to induce personnel to volunteer for and/or continue to perform certain hazardous or hardship duties at certain undesirable locations and/or times.

In the military sector, where pay and allowances are the same within each grade and longevity step regardless of the type of work performed, the special pays described above are intended to provide the pay differential not otherwise available in the compensation framework.

The civil service and private sector compensation systems provide for implicit special pays in their salary scales as means of financially influencing attraction and retention in shortage skills and hazardous or hardship duty positions.

Figure 21-6 presents a display of special pays for each of the sectors. Appendix 20-D shows the most recent available cost information on the military sector special pays.

Typically these pays and bonuses represent about five percent of total compensation. This percentage is explicit for the military and civil service sectors and implicit for the private sector. However, these percentages are not directly comparable, since this category includes such items as overtime and night shift differentials, which are not compensated for in any tangible form in the military sector.

Figure 21-1
COMPARISON OF RETIREMENT BENEFITS: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

PROVISION	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
Normal retirement	Twenty years active duty; no age requirement. Additional social security coverage.	Civil Service requirement only, no social security coverage: Age 55 w/30 yrs service. Age 60 w/20 yrs service. Age 62 w/5 yrs service.	Age requirement only. Includes social security. Age 65 w/10 years service is usual minimum normal retirement.
Early retirement	None, except for disability.	None, except for involuntary separations	Generally provided by actuarial reduction of normal retirement benefit.
Late retirement.	Maximum benefit provision is 30-years service; no additional benefits build past 30 years.	With Civil Service consent. Benefits continue to build.	With company consent. Benefits continue to build.
Retirement income	Base pay of rank at time of retirement x years of service x applicable rate.	Average earning in "high" 3 yrs" x number years of service x applicable rate.	Earnings and years of service x applicable rate.
Vesting	None - 20 years active duty only. RMA proposes: 5 years for involuntary and 10 for voluntary.	Five years service; no age requirement.	Years of service requirement varies.
Contribution for retirement plans	Government pays. Employee pays for social security.	Employee contributes 7% of pay; government pays remaining cost. Social security not applicable.	Generally fully paid by employer. Employee pays for social security.
Supplementary Retirement Benefit Provisions	Not available.	Not available.	Often available, as provided by specific employers. Company usually matches at 50% fixed rate.
o Profit Sharing			
o Savings & thrift plans			
o Stock Purchase			
o Bonus plans	Not available.	Not available.	Special provisions for different groups of employees.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC.

Figure 21-2
COMPARISON OF MEDICAL CARE AND HEALTH INSURANCE BENEFITS: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

PROVISION	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
Health Insurance			
o Basic plan plus major medical plan.	Full medical, surgical and dental coverage for the service member.	Employee elects specific kind/type of coverage desired.	Usually covered by private health insurance plan.
o Hospital coverage.	CHAMPUS ^a coverage for dependents if service-operated medical facilities not in proximity.	365 days.	365 days.
o Surgical coverage	(do)	Reasonable and customary charges.	Usually full, reasonable and customary charges.
o Maternity Coverage	(do)	Regular benefits.	Regular benefits.
o Major medical	(do)	Deductible amount.	Deductible amount.
o Major medical co-insurance	(do)	80% co-insurance feature.	80% paid by insurance.
o Major med max benefit	(do)	Up to specified amount.	Up to specified amount.
o Dental	Service members only.	None.	None.
o Contributions	Paid by government.	Employee pays approximately 40% of plan costs; government pays balance.	Over 50% of plans entirely paid by employer.

^a CHAMPUS: Civilian Health and Medical Programs of the Uniformed Services is more fully explained in Chapter 15, Medical Care.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC.

Figure 21-3
COMPARISON OF MEDICAL ABSENCES: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

PROVISION	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
<u>Medical Disability:</u> <u>Short Term</u>	Military personnel receive 100% pay continuation for entire period. If service member is still disabled at end of 6-month period, may be placed in a special inactive status until either recovered or permanently disabled.	No specific plan available to Civil Service. Employee accumulates 13 days sick leave/year. Some elements of the Federal Employees' Compensation Act may apply.	Elements of Workman's Compensation offers employee short term disability coverage, as applicable.
o Amount of benefit	Pay continuation.	N/A	100% for a reasonable period.
o Max duration	6 months.	N/A	26 weeks.
o Maternity benefit	None	N/A	None
o Waiting period	None	None	7 days.
o Pay or salary continuation	As explained above.	13 days each year.	1-2 weeks.
o Contribution	Paid by government.	Paid by government.	Paid by employer.
<u>Medical Disability:</u> <u>Long Term</u>	Disability retirement.	No specific program available to Civil Service.	Workman's Compensation.
o Amt of benefit	Based on disability severity.	N/A	50% of earnings at disability.
o Max benefit	Based on disability severity and years of service.	Employee may use accumulated sick/annual leave or retire under provision of retirement plan.	Month by specified amount.
o Waiting period	Normally 6 months.	N/A	6 months.
o Duration of benefit	Until recovery or death.	N/A	To normal retirement-usually age 65.
o Contribution	Paid by government.	No program available.	Paid in full by employer; some plans have cost-sharing provisions.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC.

Figure 21-4
COMPARISON OF LEAVE, VACATION & HOLIDAY BENEFITS: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

PROVISIONS	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
<u>Vacations or Leaves</u> o Annual vacation amount	2 1/2 days per month or 30 days per year with no recognition of length of service.	3 yrs.....13 workdays 3-15 yrs.....20 workdays 15 yrs.....26 workdays	1 yr.....1 day per month 1-5 yrs.....2 weeks 5-15 yrs.....3 weeks 15-25 yrs.....4 weeks 25 yrs.....5 weeks
o Accrual of vacation	Can accrue 60 days vacation.	Can accrue 60 days vacation.	Not permitted.
o Pay in lieu of vacation.	Can "sell back" 60 days once in a career.	Can receive money for unused vacation upon retirement.	Not permitted.
o Saturday and Sunday during vacation or leave	Computed as a day of leave.	Not considered as a part of vacation.	Not considered as a part of vacation.
o Contribution	By government.	By government.	By employer.
<u>Holidays</u> o Number of holidays	Nine	Nine	Nine to ten
o Holidays on weekends	Preceding Friday or following Monday observed.	Preceding Friday or following Monday observed.	Preceding Friday or following Monday observed.
o Holiday during vacation	Counted as a day of leave.	Additional day of leave.	Additional day of vacation.
o Religious Holidays	Not provided.	Not provided.	Not provided.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC

Figure 21-5
COMPARISON OF LIFE INSURANCE & DEATH BENEFITS: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTORS

PROVISION	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
<u>Insurance amounts</u> o Primary coverage	Servicemen's Group Life Insurance. Face amount of policy periodically adjusted.	Amount equivalent to annual salary with specified minimum and maximum amounts.	Amount equivalent to twice annual base salary.
<u>o Contribution</u>	By service member.	By government.	By employer.
<u>Insurance amounts</u> o Secondary coverage	Not available.	Additional amount up to specified limit.	Amounts equivalent from zero to six times annual salary on elective basis.
<u>o Contribution</u>	N/A	By employee.	By employee.
<u>Accidental Death & Dismemberment</u>	If death while on active duty, death gratuity equal to 6 months' basic pay plus stipulated survivor income payments.	Additional amount equivalent to basic insurance protection.	Usually available in some form; amount usually equivalent to basic insurance protection.
<u>o Contribution</u>	By government.	By government.	By employer.
<u>Post-retirement death benefits</u>	Survivor benefit plan allows surviving spouse 55% of retired member's actuarially reduced retirement, if elected at time of retirement.	Available, if employee has greater than 12 yrs of service or if on disability retirement.	Usually available based upon length of service, or a flat dollar amount.
<u>o Contribution</u>	By service member and government.	By government after age 65.	By employer & employee.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC.

Figure 21-4
COMPARISON OF SPECIAL PAY: MILITARY, FEDERAL CIVIL SERVICE, AND PRIVATE SECTOR

TYPE OF PAY	MILITARY SECTOR	FEDERAL CIVIL SERVICE SECTOR	PRIVATE SECTOR
<u>Professional Pay</u>	-- <u>Officer Professional Pay</u> o Special Pay (Health professions) o Aviation Career Incentive Pay o Continuation Pay (Nuclear) -- <u>Enlisted Pay</u> o Enlistment Bonus o Reenlistment Bonus	--Professional salary differentials	--High professional salary levels contain imputed professional pay amounts. --Special Award Bonuses o Profit sharing plans o Stock option plans o Phantom stock plans o Executive profit-sharing payments o Deferred profit-sharing payments o Deferred compensation payments
<u>Hazardous Duty Pay</u>	--Flight Pay (Crew & Non-Crew) --Demolition Duty Pay --Mining Duty Pay --Parachute Jumping Duty Pay --Hostile Fire Pay	--Hazardous duty salary differentials	--Hazardous duty pay --Overseas special pay --High professional salary levels gives imputed hazardous pay amount.
<u>Hardship Duty Pay</u>	--Duty at Certain Places Pay	--Post/location hardship differentials	--Hardship duty pay differentials
<u>Merit Pay</u>	--Responsibility Pay --Proficiency Pay	--Special Merit Awards	--Executive productivity plans payments --Executive year-end bonus --Executive bonus incentive --Merit increase (special & regular)
<u>Other Special Pay</u>	--Time off with pay o Civic duty o Medical absence --Payment for unused accrued leave --Special education/training --Severance/readjustment pay --Military Estate programs	--Time off with pay o Civic duty o Military duty o Special education/training --Constructive credit given for unused medical leave at times of retirement --Civil Service Estate programs	--Time off with pay o Civic duty o Military duty o Special education/training --Christmas/holiday bonus --Vacation bonus --Early holiday closings --Payments for holidays/special days not worked --Union negotiated special wages o Paid lunch/meal time o Wash-up time o Travel time o Clothes-change time o Get-ready time o Tool set-up time o Paid rest periods --Private sector estate programs --Contributions to employer thrift/savings plans --Other special wages & salaries

* Professional pay in the military are an explicit attempt to equilibrate total military pay to total civilian salary for certain selected professionals

SOURCE: The Armed Forces Compensation Task Force, The Pentagon, Washington, DC.

FIGURE 21-7
COMPARISON OF BENEFITS IN MILITARY, FEDERAL CIVIL SERVICE, PRIVATE SECTORS:

COST ALLOCATION

Type of Benefit	Military Sector	Federal Civil Service Sector	Private Sector
1. Personal absences authorized (leave, vacation, holidays, medical)	CB	CB	CB
2. Premiums on FHA Mortgage Insurance	CB	N/A	N/A
3. Severance/Readjustment Pay	CB	CB	CB
4. Education	Mixed	Mixed	Mixed
5. Personal and Family Medical Care/Medical Health Insurance	Mixed	Mixed	Mixed
6. Retirement System of the Military • Military Retirement Annuity & • Social Security Contribution	Mixed Mixed	Mixed N/A	Mixed Mixed
7. Death Gratuity Dependents Indemnity Compensation and or Special Death Protection	Mixed	Mixed	Mixed
8. Life Insurance: SGLI or commercial insurance	Mixed	Mixed	Mixed
9. Commissary System	NCB	NCB ^b	NCB ^b
10. Exchange System	NCB	NCB	NCB ^b
11. Recreation	NCB	NCB	NCB
12. Transportation (Space Available)	NCB	NCB	NCB

^a The actuarial reduction of the retirement annuity establishes the Military Survivor Benefit Program.
^b "Discount-type" food and department stores offer products at reduced prices.

Key: CB = compensation benefit. NCB = non-compensation benefit.
Mixed = combination of compensation and non-compensation benefits.

SOURCE: US Army Military Compensation Task Force, The Pentagon, Washington, DC.

5. Conclusions.

a. In order to compare the total compensation of the military, federal civil service, and the private sectors, action must be taken to "normalize" the differences between the elements of these three pay systems. Otherwise, the comparison will have little meaning.

b. The comparison is directly affected, by the composition of the respective work forces. The military sector, for example, tends to fluctuate more than the other sectors. Its work force contracts greatly in periods of relative peace. During these periods, the military sector's work force includes a greater proportion of senior-level, higher-paid, cadre personnel. The reverse is true in periods of high-level hostilities.

c. In periods of relative peace, the average military pay will tend to rise because of this greater proportion of senior-level, higher-paid, cadre personnel. This gives the impression of higher military compensation. These fluctuations complicate salary comparisons.

d. Comparison of benefits in these same three sectors is also complicated by the variety of types of benefits, and the purposes for which these benefits exist. Usually, benefit packages are "tailor-made" for each sector and reflect each sector's individual needs. However, in all three work force sectors, the "big six" benefits appear. They are:

- Retirement
- Medical care/health insurance
- Medical absences
- Vacation absences
- Holiday absences
- Life insurance and death benefits

e. Special pays are also available in these three work force sectors. They are designed to provide incentives to attract, retain, and motivate qualified personnel in actual or potential shortage positions, and to provide compensation differentials as "a competitive element" to induce personnel to volunteer for or perform certain hardship duties at undesirable times and locations.

VII. FINAL CONCLUSIONS AND RECOMMENDATIONS

FINAL CONCLUSIONS AND RECOMMENDATIONS

"The Country must provide for an Army . . . capable of meeting the enemy abroad, or . . . must expect to meet him at home."

- Duke of Wellington
Letter, January 28, 1811

Military compensation is the Nation's provision for attracting, motivating, and retaining the necessary number and quality of personnel to assure an adequate Armed Force for the protection of the Nation and its vital interests.

The type, level, and composition of military compensation is especially critical to the Army, for the ground forces* sustain over ninety percent of all the deaths incurred in contemporary national security, over nine times the number of fatalities of the Navy and Air Force combined.

To attract an individual into ground combat Army military service in a Nation that places high value on human life requires a type of compensation different from an ordinary compensation system. It requires a unique compensation to address the unique requirements of the ground forces' continuous potential and actual exposure to death.

The military compensation system that meets this requirement must be composed of psychological compensation as well as economic compensation. The necessity of this unique psychological compensation is indicated in the quote at the beginning of Chapter Two. It reminds us that there is not only a food for the body, but there is also a food for the soul. The usual civilian compensation system considers almost exclusively the former. The military compensation system must incorporate both if it is to be a system effective in building and maintaining a viable Armed Force.

The way psychological compensation can be incorporated into a military compensation system is developed in Chapter Two. There it is shown to be a function of, or determined by, the in-kind types of compensation: military quarters, military dining facilities or "mess halls", the commissary, the post exchange, the gym, the athletic fields, and the medical facilities.

* "Ground Forces" includes both the Army and Marines.

The proposed military compensation system--the modernized pay and allowances system--supported by and incorporating in-kind compensation, is the only system that provides both psychological and economic compensation. The system characteristic of the civilian community--the salary system--provides economic compensation, but does not have the in-kind compensation base that provides a psychological dividend. The psychological element must be addressed if military esprit de corps is to be attained.

The objective of this study was to design an "ideal" system of military compensation that would serve the best interests of the Nation and the Army.

The modernized pay and allowances system, as supported by the military benefits system, is the military compensation system that best meets the objective. This is the principle conclusion of the Task Force. This is the system recommended.

Because of the extensive scope of this study and the multitude of various subject areas, the study's other conclusions cannot be justly or adequately covered in this Section. They are reported in their applicable Chapters, above.

Before closing this report, it is necessary to note certain commonplace assertions about the military compensation system that were found upon analysis to be false:

1. 'Costs of current military personnel are driving out military hardware'. False. (See Appendix 20-E).
2. 'Military compensation is now equal to or greater than civilian compensation'. False. (See Appendix 21-A particularly and Chapters 20 and 21 generally).
3. 'The military pay and allowances system leads to a disproportionately large number of married military personnel'. False. (See Appendix 11-B).
4. 'The military salary system would not cost appreciably more than the pay and allowances system'. False. (See Chapter 11).
5. 'Off-post housing is as equally supportive of the military mission as on-post quarters'. False. (See Chapter 6).
6. 'Military personnel have a "tax advantage" over civilian personnel'. False. (See Chapter 8).

7. 'The purpose of the commissary system is primarily to provide a benefit to the military member and not the Nation'. False. (See Chapter 16).

8. 'The military medical system* is primarily a benefit to the military member and not the Nation'. False. (See Chapter 15).

9. 'Military retirement would be less costly to the Nation if it were made contributory and funded'. False. (See Appendix 13-B).

10. 'In-kind military compensation cannot be a primary driver of esprit de corps'. False. (See Chapter 2).

And now the objective military compensation system is constructed. The proposed modernized pay and allowances system and its supporting military benefits system constitutes--in terms of effectiveness, economy, efficiency, equity, and their attendant psychosocial ramifications--the compensation system that best supports the interests of the Nation and the Army.

* While military medical care is a benefit to the member (and the Nation), the military medical system (MHSS) is a detriment to the member (and a benefit to the Nation); viz. the purpose of the MHSS is to return military members back to the front as soon as they can be 'repaired and recycled'. (See Figure 15-1 particularly and Chapter 15 generally).

FOOTNOTES

Chapter 1 - The Army's Contribution to U.S. Society

1. Stanley M. Ulanoff, Col., USAR, "Swords into Plowshares," Soldiers, June 1975, pp. 8-11.
2. "North to Alaska," Soldiers, May, 1975, pp. 32-33.
3. Robin Higham and Carol Brandt (Eds.), The United States Army in Peacetime - Essays in Honor of the Bicentennial 1775-1975, (Military Affairs, Aerospace Historian Publishing : Manhattan, KS., 1975), pp. 150-153.
4. U.S. Army Materiel Development and Readiness Command (DARCOM), DARCOM Spinoffs - 200 Years of Dedicated Defense and Improvement for Our Nation, 1976, pp. 29-30.
5. Ulanoff, op. cit., p. 9.
6. Higham and Brandt, op. cit., p. 159.
7. DARCOM, op. cit., pp. 33-34.
8. Ibid., p. 25.
9. Ibid., pp. 5-6, 25.
10. Higham and Brandt, op. cit., p. 162.
11. DARCOM, op. cit., p. 5.
12. Ibid., p. 5.
13. Ibid., p. 1.
14. Ibid., p. 3.
15. Ibid., pp. 9-10.
16. Ibid., p. 32.
17. Ibid., p. 14.
18. Ibid., p. 11-13.
19. Higham and Brandt, op. cit., pp. 149, 162.

20. Ulanoff, op. cit., pp. 9-10.

Chapter 2 - The Army and The Army Community
(No footnotes)

Chapter 3 - The Pay and Allowances System
(No footnotes)

Chapter 4 - Basic Pay
(No footnotes)

Chapter 5 - Food (Subsistence)

1. 37 U.S.C. 402.
2. On the Salary System, Draft Paper, U.S. Army Military Compensation Task Force, undated, p. 2.

Chapter 6 - Military Quarters

1. Clifford Jones vs The United States Court of Claims, Volume 60, Decision - 316, p. 552, 13 April 1925.
2. In 1950 as a result of the beginning of the Korean Conflict, Reserve and National Guard enlisted personnel with families were involuntarily being ordered to active duty and it was anticipated that individuals with dependents might soon be inducted under the Selective Service System. The Dependents Assistance Act was enacted in order to provide extra compensation to aid their families and prevent financial hardship. Appendix A includes further discussion of the history of the Dependents Assistance Act. Public Law 88-771 (1950).
3. This law defined regular military compensation (RMC) to mean the total of the following elements that a member of a uniform service accrues or receives directly or indirectly in cash or in kind every pay day: basic pay, basic allowance for quarters, basic allowance for subsistence, and federal tax differential accruing to the previously mentioned allowances because they are not subject to Federal income tax.

4. The phrase "members with families" will normally be used in lieu of the terms "members with dependents" and "married members"; the phrase "single members" will be used in lieu of the expressions "members without dependents" and "bachelor" members.

Chapter 7 - Military Clothing
(No footnotes)

Chapter 8 - Tax Considerations
(No footnotes)

Chapter 9 - Special Pays and Allowances

1. Only those special pays and allowances (SPA) that are (1) applicable to the Army and (2) of significant economic amount are considered here. See the DoD Pay and Allowances Entitlements Manual and other applicable references for further information on other items, such as Personal Money Allowance and Enlisted Aides.

Chapter 10 - Modernizing the Pay and Allowances System

1. Modernizing Military Pay, Report of the First Quadrennial Review of Military Compensation, Volume I, 1 November 1967.
2. Need to Improve Military Members' Perceptions of Their Compensation, Report of the Comptroller General of the United States (B-163770), 10 October 1975.
3. Senate Committee on Appropriations, Committee Print on Department of Defense Appropriation Bill, 1976, Senate Report No. 94-446, 6 November 1975, p. 22.

Chapter 11 - Alternative Military Compensation Systems
(No footnotes)

Chapter 12 - Military Absences
(No footnotes)

Chapter 13 - The Retirement System of the Military

1. Journals of the Continental Congress, Vol. V., Page 702, 26 August 1776.
2. 1 Stat. 95.
3. 12 Stat. 289.
4. 16 Stat. 317.
5. 23 Stat. 305.
6. 41 Stat. 773.
7. '62 Stat. 1087.
8. The basic source of information for this paragraph is Report of the First Quadrennial Review of Military Compensation, Vol. 5, 15 January 1969.
9. A Contributory Retirement System for Military Personnel, Report to the Chairman of the Task Force on National Defense, Senate Budget Committee, by the Comptroller General of the United States, Case Number 4311, March 1976.
10. Report of the First Quadrennial Review of Military Compensation, Vol. 4, 15 January 1969.

Chapter 14 - Education (No footnotes)

Chapter 15 - Military Medical Care

1. William O. Owen, The Medical Department of the U.S. Army, 1776-1786, (Paul B. Hoeber: New York, 1920).
2. 23 Stat. 112. (48th Congress).

3. The practice of the employer's providing direct care to employees and families is not unique to the Uniformed Services. "Employers in railroading, coal and metal mining, lumbering and other operations carried on in remote and unsettled areas were forced to develop their own medical facilities and methods of payment including the precedent-creating "check off" of employee contributions. The still-existing system of railway hospitals and hospital associations located in towns along the right-of-way dates back to the 1870's. Railway surgeons, coal camp doctors, and other forms of "contract medicine" were the sole source of care available to workers in these industries and their families". Herman Somers and Anne Somers, Doctors, Patients and Health Insurance (The Brookings Institution: Washington, D.C., 1961) p. 229-230.
4. Senate Report No. 1878, April 30, 1956.
5. Public Law 89-614, September 28, 1966.
6. James R. Schlesinger, Secretary of Defense, Report to the Congress on the FY 1976 and Transition Budgets, FY 1977 Authorization Request and FY 1976-1980 Defense Programs, February 1975, p. IV-18 ff.
7. 10 U.S.C. 1071.
8. Senate Report No. 1878, April 30, 1956.
9. 10 U.S.C. 1074(a).
10. 10 U.S.C. 1074(b).
11. 10 U.S.C. 1076, 1077.

Chapter 16 - The Army Commissary Systems
(No footnotes)

Chapter 17 - The Military Exchange System
(No footnotes)

Chapter 18 - Recreation and Space Available Travel
(No footnotes)

Chapter 19 - Military Conditions of Service
(No footnotes)

Chapter 20 - Total Military Compensation Display
(No footnotes)

Chapter 21 - Comparison of Total Compensation in the Military,
Federal Civil Service, and Private Sectors

1. "Fundamental to any process for establishing and adjusting pay rates is the overall policy by which the process is guided. Most of the major federal pay systems have their rates set on the basis of 'comparability' with private enterprise pay rates for similar work." Staff Report of the President's Panel on Federal Compensation, January 1976, p. 7.
2. Regular Military Compensation, as defined in 37 U.S.C. 101(25), is the approximate equivalent to civil service and private sector salaries. It is used here for all basic comparisons.
3. Relatively precise comparisons of pay levels could be obtained through a linkage process including representative pay levels drawn from the total range of pays. However, a generally accepted linkage model for the three sectors of the work force does not exist. This method, accordingly, is not used here.

